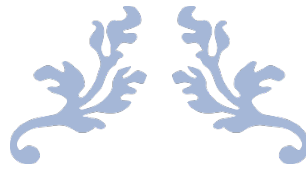




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BARRIERS TO ABSORPTION WHEN GRAFTING EXPERIENTIAL INTERNATIONALISATION KNOWLEDGE

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Lay Summary

This Ph.D. explores how firms can internationalise into unfamiliar markets. Markets differ in terms of their explicit regulations and implicit cultural assumption which both affect how businesses are operating. Due to the implicit nature of these cultural differences, these are neither easy to identify nor easy to learn about, which poses a critical obstacle for firms to be able to successfully expand into culturally unfamiliar markets. This Ph.D. explores whether 'grafting' - hiring a manager with relevant experiences and respective knowledge - may serve as a 'short cut' for larger firms to be able to recognise and address these cultural differences to successfully internationalise into culturally distant markets in an expedited manner.

To do so, this thesis examined a single case study based on a German Multinational Corporation which had promoted a local manager from the host market context to the headquarters to access the relevant experiential knowledge in the firm's strategic decision-making process seeking to penetrate existing international markets in the Middle East and North Africa region to improve the international sales performance.

This study illustrates that interpersonal cultural differences lead to different cognitions in terms of perceptions of challenges, what these were attributed to, and different beliefs of how to address these to the extent that potentially useful grafted experiential knowledge was not recognised as valuable by the key decision-making managers. This study shows that potentially valuable grafted experiential knowledge was not recognised as valuable owing to the key decision-making managers' intrinsic desire to avoid the psychological distress which arises when one is confronted with new information, knowledge or ideas that are either explicitly or implicitly linked to values, beliefs, and actions that contradict their own values and beliefs. This thesis, therefore, illustrates how and why interpersonal cultural differences may restrain a firm's absorptive capacity – its ability to indirectly acquire experiential knowledge by hiring individual managers. This enhances our theoretical understanding of how and why the experiential learning process of larger Multinational Corporations with centralised decision-making processes is a history-dependent cumulative process; and despite indirect learning opportunities, they cannot recognise and overcome these cultural differences quickly, due to the different assumptions and beliefs that have been embedded in the firm's extant knowledge pool. Hence, grafting alone may not accelerate the internationalisation processes of larger firms into culturally unfamiliar markets.

Declaration

I confirm that this thesis presented for the degree of Ph.D. in Management has

- i) been composed entirely by myself
- ii) been solely the result of my own work
- iii) not been submitted for any other degree or professional qualification

The copyright of this thesis belongs to the author.

Date and Signature:

Acknowledgements

This Ph.D. marks a great milestone in my life. It has been a long and interesting journey which must come to end. However, I would have not come thus far without the support I have received from various people along the way. I would like to acknowledge their support hereafter:

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Justus

February 2019

Barriers to Absorption when Grafting Experiential Internationalisation Knowledge

Abstract

The Uppsala internationalisation process model, as the dominant theoretical model explaining internationalisation processes in International Business, suggests that the knowledge gap between a firm's current knowledge base and the experiential knowledge required to operate successfully in a new market presents the most significant obstacle for firms trying to internationalise (Johanson and Vahlne, 2009; Vahlne and Johanson, 2017; Welch et al., 2016). Previous research into the process of internationalisation has suggested that firms overcome this knowledge gap by incrementally acquiring such experiential knowledge through the direct experiential learning process of their individual managers in foreign markets over time (Johanson and Vahlne, 1977). Contemporary research into firms' learning processes, on the other hand, asserts that experiential knowledge is transferable, and suggests that firms can indirectly acquire experiential knowledge from the experience of others (Huber, 1991; Forsgren, 2002; Fletcher and Harris, 2011; Bingham and Davis, 2012). Accordingly, firms who are able to indirectly acquire experiential knowledge are able to expedite the closure of their knowledge gap, enabling them to accelerate their internationalisation process. But, internationalisation process research has not yet sufficiently explored whether or not experiential knowledge can be transferred at the individual level, in order to provide a processual account of how and why the indirect learning process of grafting may accelerate the internationalisation process of Multinational Business Enterprises over time.

This study explores how and why the indirect learning process of grafting - i.e. hiring an individual manager with the relevant experiential knowledge - impacts the internationalisation process over time. In order to do so, this thesis employs a qualitative processual research approach on a single revelatory case study. Rich, authentic and

trustworthy data was acquired using ethnographic methods, allowing the thesis to 'problematise' extant theoretical understanding and assumptions. It reveals how and why interpersonal cultural differences within a firm limit its absorptive capacity for indirectly acquiring experiential knowledge from culturally distant host context source (Alvesson and Sandberg, 2011; Alvesson and Kaerreman, 2007; Westney and Van Mannen, 2011; Chapman, et al., 2004; Sharpe, 2004). This revelatory insight challenges the prevailing assumption that experiential knowledge is transferable.

This thesis's abductive approach, in turn, allows refinement of the theoretical understanding and explanation by generating a processual account of how and why grafting might - or might not - serve as an indirect means to expeditiously acquire salient experiential knowledge. Specifically, by capturing insiders' cultural perspectives, and by drawing on the psychological insights using cognitive dissonance, this study's findings suggest that interpersonal cultural differences within a firm can impede its ability to assimilate potentially valuable experiential knowledge. The findings reveal that individual managers are intrinsically motivated to maintain their ignorance of potentially valuable experiential knowledge, in order to avoid psychological distress which arises when they are confronted with information, knowledge or ideas that are either explicitly or implicitly linked to values, beliefs, and actions that contradict their own. By drawing on these psychological insights, this thesis contributes to the theoretical development of a process explanation that illustrates how and why interpersonal cultural differences within a firm may limit its absorptive capacity. This thesis thereby enhances theoretical understanding of how and why the indirect learning process of grafting may not reduce a firm's knowledge gap, and therefore, may not accelerate its internationalisation.

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1 Introduction

1.1 Empirical Background of the Thesis

As Multinational Business Enterprises (MBEs) increase their rate of globalisation, their internationalisation processes are becoming increasingly complex, driven by the need to acquire salient experiential knowledge in order to be able to address liabilities of foreignness (Zaheer, 1995) to learn how to internationalise into global firms (Vahlne and Johanson, 2017). In order to do so managers need to acquire market-specific experiential knowledge about host market institutions and tacit cultural assumptions which then must be integrated it into the firm's extant knowledge base (Cohen and Levinthal, 1990). As MBEs expand internationally their managers are also acquiring general experience-based internationalisation knowledge, routines and structures that enable them to operate efficiently within an international institutionally-diverse business context (Nelson and Winter, 1982; Fletcher et al., 2013; Johanson and Vahlne, 2009; Eriksson et al., 1997, 2000).

Increasing global presence provides opportunities to hire and transfer managers who possess such salient experiential knowledge (Huber, 1991; Oviatt and McDougall, 1994; Forsgren, 2002; Petersen et al., 2003). This is referred to as grafting. Grafting offers a 'short cut' to indirectly acquire the experiential market-specific knowledge and even general internationalisation knowledge in an efficient manner (Petersen et al., 2003; Reuber and Fischer, 1997; Oviatt and McDougall, 1994; Fletcher and Harris, 2011). Similar to the role of the entrepreneur in smaller international ventures and 'born global' firms, it is argued that grafting managers with experiential knowledge expedites the incrementally time-consuming direct experiential learning process of 'learning by doing' in the foreign markets (De Clercq et al., 2012; Autio, 2005; Coviello, 2015; Oviatt and McDougall, 1994). This stream suggests that grafting is a 'short cut' by acquiring new members or organisations who possess knowledge that was previously not available within the firm such as experiential knowledge that pertains to cultural assumptions (Huber, 1991:97; Forsgren, 2002). Therefore, pre-entry learning by hiring experienced managers is conceivable and said to accelerate the speed of experiential knowledge accumulation; this reduces the perceived uncertainty in a new foreign market and enables rapid recognition of business opportunities to expedite larger

MBEs' internationalisation processes (Johanson and Vahlne, 1990, 2009; Brennan and Garvey, 2009; Forsgren, 2002; Petersen et al., 2003, 2008). This stream is distinct from research on expatriates as knowledge transfer agents since these stress individuals as agents to transfer existing technological knowledge from headquarters to subsidiaries to exploit firm-specific advantages abroad (Song, 2014).

Absorbing experiential knowledge brings its own challenges (Forsgren, 2002). Current internationalisation process research, however, has black-boxed the 'micro mille' individual level which prevents understanding of how and why experiential knowledge can be transferred at the individual level, so it does not explain how and why grafting may enable the knowledge gap to be closed in an expedited manner (Casillas and Moreno-Menendez, 2014; Coviello et al., 2017; Johanson and Vahlne, 2009; Vahlne and Johanson, 2017:1089).

1.2 Theoretical Background of the Thesis

The Uppsala internationalisation process model has become the dominant theoretical model to explain the internationalisation processes of larger MBEs (Vahlne and Johanson, 2017; Welch et al., 2016). It departs from neoclassical assumptions about firms in international business, in which firms are conceived as rational decision-makers, instead making more realistic assumptions of bounded rationality based on the behavioural theory of the firm (Cyert and March, 1963). According to Cyert and March (1963), firms have to make decisions with limited information and under conditions of uncertainty and ambiguity. Therefore, even though information and knowledge are available, managers need to be able to interpret and understand them to assimilate the potentially useful knowledge into their extant knowledge base (Welch et al., 2016; Coviello et al., 2017; Cohen and Levinthal, 1990; Zahra and George, 2002; Vahlne and Johanson, 2017). Accordingly, the lack of experiential knowledge about foreign markets - how to interpret information in the light of the liabilities of foreignness - may be overcome by the experiential learning process of acting and seeing what happens, to be able to arrive at the "correct" interpretation over time (Weick, 1979, cited in Vahlne and Johanson, 2017: 1091). Additionally, March (1999) has proposed that "when gaps or problems are recognized, the recognition process defines the scope, limits and boundaries of the gap": this confirms that the experience of problems is most critical for firms to define the scope of their knowledge gap and boundaries of what knowledge they need to

learn (March, 1999 cited in Petersen et al., 2008:1098; Welch et al., 2016; Vahlne and Johanson, 2017).

Given the fundamental state of ambiguity and uncertainty, managers are faced with a partial ignorance – “they do not know what they do not know” - and therefore need to learn how to interpret information and causal connections through the direct experiential learning process of trial and error, of knowing how to ‘play the game’ (Ansoff, 1965, cited in Vahlne and Johanson, 2017:1091; Zaheer, 1995). In the context of internationalisation to a new market, this trial and error process is critical to reduce the liabilities of firms’ foreignness and perceived psychic distance (Petersen et al., 2008; Sousa and Bradley, 2006). The process of learning by doing to acquire market-specific experiential knowledge is incremental and time-consuming but pivotal for internationalisation (Petersen et al., 2008). Johanson and Vahlne (1990, 2009) suggested that managers may also develop general experience-based knowledge, which enables them to acquire know-how of operating in culturally similar markets, diminishing the perceived knowledge gap faster than through trial and error experiential learning.

Johanson and Vahlne (1990, 2009) and Vahlne and Johanson (2017) later draw on the concept of absorptive capacity, suggesting that new knowledge - needs to be consolidated into firms’ extant (internationalisation) knowledge pool to be employed effectively (Petersen et al., 2008). Firms’ ability to absorb new experiential knowledge is restrained by their earlier internationalisation experiences, in which managers have fostered general experiential (internationalisation) knowledge, and implicit assumptions and beliefs that were embedded in their firms’ routines (Nelson and Winter, 1982) as a framework to learn and identify expansion opportunities (Brennan and Garvey, 2009; Johanson and Vahlne, 2006). In other words, the extant experiential knowledge base defines the future absorptive capacity, determining managers’ ability to assimilate, evaluate and interpret new knowledge (Eriksson et al., 2000; Johanson and Vahlne, 2006). The experiential learning process of larger firms is considered a cumulative process that unfolds over time (Eriksson et al., 2000:311; Johanson and Vahlne, 1990; Vahlne and Johanson, 2017). Experiences that occur too quickly may overwhelm managers, resulting in their inability to transform the experiences into meaningful learning (Eisenhardt and Martin, 2000). The Uppsala logic sees internationalisation learning as a ‘history-dependent’ cumulative process that unfolds over time, and internationalisation into culturally distant markets may not be carried out quickly

(Johanson and Vahlne, 2009; Vahlne and Johanson, 2013, 2017; Cohen and Levinthal, 1990; Eriksson et al., 1997, 2000).

The knowledge-based view of the firm has emerged in parallel to the Uppsala internationalisation process model to explain how and why the creation and transfer of knowledge allows firms to expand internationally (Buckley and Lessard, 2005; Buckley et al., 2017). The Uppsala internationalisation process model (Johanson and Vahlne, 1977; Johanson and Vahlne, 2009; Vahlne and Johanson, 2017) does not explicitly address the possibility of transferring knowledge within the firm, and the knowledge-based view of the firm has been drawn on as a complementary theoretical perspective to explain how and why MBEs can transfer general and tacit knowledge across borders and also how this capability may impact the internationalisation process of the firm (Sapienza et al., 2006; Petersen et al., 2008; Martin and Salomon, 2003; Autio et al., 2000; Hutzschenreuter and Matt, 2017; Kogut and Zander, 1993; Prashantham and Young, 2011).

It suggests that MBEs are capable of producing and transferring knowledge across borders to provide a unique international competitive advantage (Grant, 1996; Minbaeva et al., 2003; Kogut and Zander, 1992; Kogut and Zander, 1993). Kogut and Zander (1993:625) suggest that MBEs are best conceived as “social communities that specialise in the creation and internal transfer of knowledge” across borders based on the examination of firms in California that were able to transfer technology knowledge internationally. Technological knowledge was conceptualised as organisational knowledge and the tacitness of the organisational knowledge was said to complicate the ability to codify and transfer knowledge at firm level, yet MBEs can codify and explicate tacit knowledge to transfer experiential knowledge efficiently across borders gaining competitive advantages that offset the liability of foreignness that they face (Tallman, 2003; Kogut and Zander, 1993, 2003; Zaheer, 1995; Song, 2014).

Whilst the knowledge-based research model of firms has outlined that transferring tacit experiential knowledge is not easy (Szulanski, 1996; Zander and Kogut, 1995; Minbaeva et al., 2003), this research stream has asserted the assumption that experiential knowledge is transferrable at firm level. This theoretical assumption has increasingly become the orthodoxy in international business and internationalisation process research to explain and

predict the evolution of the MBE and its ability to expand abroad (Minbaeva et al., 2003; Welch et al., 2016; Hutzschenreuter and Matt, 2017; Vahlne and Johanson, 2017).

1.3 Problematising the Status Quo

This theoretical assumption that tacit experiential knowledge can be transferred and absorbed within the firm has profound implications for the field. It has accepted the knowledge-based view that firms can internally transfer general experience-based market knowledge to allow lateral growth e.g. Welch and Luostarinen, (1988), but we know that experiential knowledge is difficult to explicate and disseminate (Johanson and Vahlne, 1977; Petersen et al., 2003; Eriksson et al., 1997; Fletcher et al., 2013). This notion that experiential knowledge can only be acquired through direct experience has been increasingly challenged (Huber, 1991; Johanson and Vahlne, 2009). Forsgren (2002:263) suggests “if we consider grafting (Huber, 1991) as an alternative way to acquire market knowledge it becomes obvious that the internationalisation process can be shaped differently”, yet the absorption of different knowledge sources may bear challenges in order to benefit from it.

The revised internationalisation process model (Johanson and Vahlne, 2009; Vahlne and Johanson, 2017) has imported the assumption of the knowledge-based view of the firm and of learning in organisations in general, that experiential knowledge can be transferred within the firm (Hutzschenreuter and Matt, 2017; Argote and Miron-Spektor, 2011; Kogut and Zander, 1993). Accordingly, the MBE can acquire experiential knowledge indirectly from the experiences of others, how to overcome the knowledge gap (Forsgren, 2002; Blomstermo et al., 2004; Johanson and Vahlne, 2009; Bingham and Davis, 2012) a variety of internal and external sources have been suggested, the most prominent ones are: 1) imitation of competitors; 2) making use of network partners’ knowledge base 3) or grafting firms and individuals, rather than being solely reliant on the direct experiential-learning process as suggested in 1977 (Johanson and Vahlne, 2009; Huber, 1991; Forsgren, 2002; Fletcher and Harris, 2011; Welch et al., 2016). Yet questions about this remain to be answered: neither evidence of how the indirect learning process of grafting experiential knowledge, nor how the potential difficulties of integrating grafted knowledge into the extant knowledge base are sufficiently explored in the internationalisation process literature (Coviello et al., 2017; Åkerman, 2015; Forsgren, 2002; Chapman et al., 2004).

The assumption that tacit experiential knowledge is transferrable has yet to be challenged. The revised internationalisation process model has neither explicitly explored whether experiential knowledge that is relevant for internationalisation can be transferred at the individual level nor how it does so over time (Vahlne and Johanson, 2017; Hutzschenreuter and Matt, 2017; Coviello et al., 2017). In spite of the behavioural assumptions within the Uppsala model, research has not examined how managers are able to learn how to interpret ambiguous information and knowledge that has been acquired in a culturally distant context. The ability to recognise the value of potentially useful experiential knowledge is critical in order to assimilate and absorb experiential (market-specific and general internationalisation) knowledge possessed by individual managers into their firms' extant (internationalisation) knowledge pool to be able to address the liabilities of foreignness (Vahlne and Johanson, 2017; Welch et al., 2016; Petersen et al., 2008; Sousa and Bradley, 2006). Generating such a processual account would advance the current incomplete theoretical understanding and explanation of how the indirect learning process of grafting may, or may not, enable a firm to close its knowledge gap in an expedited manner. This, in turn, would help to explain whether firms are able to acquire, assimilate and integrate grafted experiential knowledge effectively into their extant internationalisation knowledge base, and to further explain whether this indirect learning process of grafting can be the reason larger firms are able to accelerate their internationalisation processes (Welch et al., 2016).

1.4 Methodological Approach of the Thesis

This study employs a qualitative processual research approach on a single revelatory case study (Yin, 2009, 2013; Ghauri and Grønhaug, 2005:120; Eisenhardt and Graebner, 2007:27). This revelatory case study allowed the author to gain rare access to the very individuals involved in the learning processes of acquiring specialist experiential knowledge - knowledge that ultimately resides within the individuals and not the firm (Brennan, 2004; Felin and Hesterly, 2007; Chapman et al., 2004; Sharpe, 2004). Having gained access to the middle and senior managers within a large and long established MBE, the author was able to employ ethnographic methods to collect a rich, authentic and trustworthy data base (Ghauri, 2004). The qualitative data collected via participant-observation, semi-structured interviews and documents in order to capture the narratives and interpretations of the individual managers involved in the learning processes and strategic decision-making processes over time.

By studying the events and insider perspectives within the natural research context, the ethnographic approach enables the creation of a nuanced contextual understanding of how the actual behaviour of the individuals was influenced and shaped by their cultural perspectives (Lupton, 1963:29, cited in Sharpe, 2004:308). This methodological approach contributes to understanding of a process that links the micro, individual level to macro-level analysis of firms, to unpack how and why cultural differences on an individual level impact the ability to absorb the grafted experiential knowledge at the firm level, and to theorise the impact on the internationalisation process (Sharpe, 2004).

1.5 Theoretical Contributions

This thesis explores the overall research question ‘how and why the indirect learning processes of grafting can help firms to expedite internationalisation knowledge acquisition which was broken down into three sub-research questions shown in Appendix 9.1. It identifies which cultural factors have shaped individuals’ perceptions and behaviour, and more importantly how and why these cultural factors on an individual level affect their ability to value and assimilate new knowledge. By doing so, it also refines the theoretical understanding of how and why these interpersonal cultural factors may impede the ability to transform and exploit potentially valuable knowledge by absorbing it into the firms’ extant internationalisation knowledge pool. It helps to enhancing knowledge of how firms can reduce perceived uncertainties and more effectively penetrate the markets in which they already operate in pursuit of international growth.

1.5.1 Unpacking the Liability of Foreignness and Absorptive Capacity

The thesis advances the theoretical understanding of how and why revealed cultural factors on an individual level affect the ability to transfer experiential knowledge between managers and ultimately the ability to absorb it within the firm’s extant knowledge base. In contrast to extant research, which tends to relying on pre-defined measures of culture at the national or firm level dominant in sociology, e.g Hofstede and Bond (1988) (Caprar et al., 2015), to examine cultural differences in terms of the cultural distance between two contexts at the firm or national level (Sousa and Bradley, 2006; Mezas et al., 2002; Caprar et al., 2015), by drawing on psychological insights into cognitive dissonance, this study breaks away from the dominant reductionist methods of analysing how the liabilities of foreignness (in terms of cultural or psychic distance) affect firms’ internationalisation process, instead it examines

how and why interpersonal cultural differences within the firm may limit its absorptive capacity - to be capable of absorbing experiential knowledge grafted in a culturally distant context (Festinger, 1962; Caprar et al., 2015). It illustrates how and why cultural and psychic distance applied at the level of the individual decision-makers (Johanson and Vahlne, 2009) to reveal how and why interpersonal cultural differences impeded and limited their ability to absorb and benefit from the grafted experiential knowledge over time to close the knowledge gap in an expedited manner.

The thesis shows that the experiential knowledge and underlying values and beliefs of a grafted manager were very different to the senior managers' values and beliefs which was why this manager had been grafted into the business. This meant, however, that decision managers were not able to recognise potentially useful new knowledge provided by this grafted manager as valuable due to its either implicitly or explicitly challenging the key decision-makers' own personal values and beliefs. This inability of senior managers to recognise the value and assimilate the grafted experiential knowledge that they had sourced was driven by the psychological distress which arises in individuals when confronted with information and knowledge that contradicts their own personal values and beliefs or actions that contradict their values and beliefs (Festinger, 1962). This psychological distress leads the managers to perceive the new information and knowledge that could have been useful to address the knowledge gap as not valuable and they were intrinsically inclined to ignore it, since it contradicted their own values and beliefs of how to act. This intrinsic drive equally impeded them from recognising the scope of their knowledge gap since they were inclined to maintain their ex-ante perception and belief of being capable to address the host context, and instead of challenging the underlying cognitions, they attributed the challenges to the external market conditions to enable them to avoid the contradiction of their own values and beliefs as well as to act in accordance to them.

This culturally-driven ignorance of potentially valuable knowledge provides a novel understanding of how and why grafted experiential knowledge may not be absorbed in the minds of individual managers, and therefore not integrated into firms' extant internationalisation knowledge base (Eriksson et al., 1997, 2000). By drawing on these psychological insights, the study reveals how and why the heterogeneity of the individuals involved is critical to refine the process understanding of how and why cultural differences affect the ability to value, assimilate and evaluate to absorb potentially valuable experiential

knowledge within the MBE (Johanson and Vahlne, 2006). This thesis thereby contributes to the theoretical development of how and why interpersonal cultural differences within a firm may limit its absorptive capacity for indirect learning processes to acquire new internationalisation experiential knowledge. It shows even when changing the parameters to the individual managers instead of the firm level, previously-acquired knowledge of foreign markets and internationalisation knowledge of individual managers may not have a significant impact to speed up larger firms' internationalisation processes into culturally distant markets (Johanson and Vahlne, 2009:1420).

This novel approach enables the thesis to illustrate how and why interpersonal cultural differences may limit a firm's absorptive capacity to be able to indirectly acquire salient experience-based knowledge via grafting. Hence, the thesis creates a more nuanced theoretical account by drawing on the psychological insights on cognitive dissonance to explain how and why cultural differences on the individual level affect the ability to learn and absorb knowledge which refines the theoretical understanding and explanation of how and why firm's absorptive capacity may be limited (Felin and Hesterly, 2007; Foss and Felin 2005; Cheng et al., 2009; Caprar et al., 2015). This novel theoretical insight enables this study to explain that grafting experiential knowledge from a culturally-distant host context may not serve as an indirect means to close the knowledge gap in an expedited manner on a firm level, due to the underlying cultural differences between the managers .

1.5.2 A Process Understanding of Barriers to Absorption when Grafting Experiential Internationalisation Knowledge

A process understanding of how the indirect learning process of grafting affected the internationalisation was emerged through the abductive process research approach, which allowed the author to refine the theoretical relationships of the extant theoretical concepts that have been used to advance the theoretical understanding of how and why firms internationalise over time (Dubois and Gadde, 2002). The abductive approach yielded much more than inductive or deductive approaches by developing a new understanding based on contrasting the established theoretical concepts with the relationships unveiled in the empirical case. This allowed to generate a more nuanced theoretical understanding of how and why the indirect learning process of grafting affects the internationalisation process over time (Cheng et al., 2009).

The thesis has drawn on a combination of theoretical insights that have informed the internationalisation process research: 1) the liabilities of foreignness concept, including concepts of cultural distance and psychic distance, to illustrate how and why cultural differences on an interpersonal level affect individuals' perception of challenges and their ability to learn about hidden cultural differences; 2) the knowledge-based view of the firm, to explain how and why experiential knowledge that is acquired by the individual is tacit; and 3) the absorptive capacity concept, to explain how past experiences (the extant experiential knowledge of the managers and knowledge embedded in the firm's routines) affect the firm's learning process; 4) the concept of cognitive dissonance, to unpack how and why interpersonal cultural differences between the managers affected the absorptive capacity of the firm, that is, its ability to absorb the grafted market-specific and internationalisation knowledge into the minds of the individuals who would ultimately apply it in the strategic decision-making process, guiding the resources commitments in the firm's internationalisation process (Johanson and Vahlne, 2006:173; Vahlne and Johanson, 2017).

Combining these theoretical insights provides a more nuanced theoretical understanding of how to examine the impact of culture on an individual level then affects managers' ability to transfer and absorb experiential knowledge in order to overcome the knowledge gap and the 'partial ignorance' - of not knowing what they do not know - to absorb potential valuable experiential knowledge that might be contrasting to the extant knowledge base and accumulated experiences. This prevents the key decision-making managers to absorb the explicit or implicit contrasting experiential knowledge in order to be capable of deciding to commit resources rapidly to accelerate their internationalisation process (Autio et al., 2005). The study, therefore, unpacks how and why an experiential-learning process is a history-dependent cumulative process; and in spite of indirect learning opportunities, firms cannot overcome their partial ignorance rapidly, based on the different cultural assumptions and belief systems that are embedded in their extant internationalisation knowledge base (Eriksson et al., 2000). This combination of theoretical concepts and refined relationships between those theoretical concepts explains how and why the interpersonal cultural differences limit the firm's absorptive capacity, in line with the psychological insights embedded in the behavioural assumptions on firms learning processes (e.g. Cyert and March, 1962). Such a refined theoretical understanding illustrates how and why the interpersonal cultural differences may limit the firm's absorptive capacity to indirectly acquire experiential

knowledge within the firm, which is critical if it is to accelerate its speed of learning by grafting the experiential knowledge. Therefore, grafting by itself may not accelerate the firm's internationalisation processes.

This generated process understanding of the indirect learning process of grafting in the internationalisation process model addresses the numerous calls to articulate and create a more nuanced form of theoretical process understanding and explanation of how and why firms expand differently over time, rather than reductionist theories that seek to create universal laws across different organisations and contexts (Birkinshaw et al., 2011; Welch and Paavilainen-Mäntymäki, 2014; Welch et al., 2016; Burgelman, 2011). Such a refined theoretical process understanding of how and why managerial discretion affects the firm's knowledge acquisition (which in turn drives the strategic decision-making process) enables the study to move away from the dominant deterministic understanding of the Uppsala internationalisation process model, driven by the positivist aim to create universal predictable theories (Forsgren and Johanson, 2010; Welch et al., 2014; Welch et al., 2016).

This Ph.D. refines the theoretical understanding and explanation, coherent with a qualitative process ontology of seeking to develop theoretical 'cognitive maps' that can explain how and why firms' internationalisation processes may change over time whilst accounting for the contextual conditions i.e the cultural differences, rather than simply create a nominally universally applicable set of causal relationships (Vahlne and Johanson, 2017; Welch et al., 2016:789). Specifically, this Ph.D. illustrates that the firm's ability to indirectly acquire experiential knowledge is affected by the interpersonal cultural differences between managers which had impaired the absorptive capacity of the firm. It provides a nuanced theoretical understanding of how and why MBEs that have been incrementally acquiring experiential knowledge and developing experiential internationalisation knowledge internally may not be able to rapidly absorb potentially valuable experience-based knowledge, even though it has been grafted from the culturally distant context in order to accelerate the experiential learning process, as the 'international new venture' and 'born global' literatures have suggested (Barkema and Vermeulen, 1998; Barkema and Drogendijk, 2007; Reuber and Fischer, 1997; Petersen et al., 2003; Oviatt and McDougall, 1994; Huber, 1991; Forsgren, 2002; Brennan and Garvey, 2009).

The thesis therefore contributes to understanding unanswered questions in international business regarding unpacking the multi-cultural and multi-layered learning and decision-making process within MBEs' internationalisation processes: who decides, and on what basis, what knowledge gaps exist, and how to close them in terms of learning process and sought sources of knowledge (Maitland and Sammartino, 2015:754). Hence, the thesis addresses the incomplete understanding of how and why managerial discretion shapes the history-dependent absorptive capacity, based on their cultural cognitive scope - referred to as home-grown 'mental maps' or 'dominant logics' - which together affect whether potentially valuable experience-based knowledge can be absorbed into the extant knowledge pool; and how the internationalisation process will be carried out (Eriksson et al., 2000:309; Johanson and Vahlne, 2009; Petersen et al., 2003, 2008:1001; Casillas and Moreno-Menendez, 2014; Hutzschenreuter et al., 2007; Forsgren, 2016).

1.6 Wider Contributions to the International Business Literature

In addition, insights have been demonstrated concerning the qualitative research methods in international business process research, as a wider contribution to the International business literature in general. This study demonstrates that the grounded theory approach of iterative collection and analysis of data and then adjustment of the research questions was well-suited to capture and reveal relevant novel theoretical discoveries (Charmaz, 2014; Gilgor et al., 2016; Alvesson and Kaerremann, 2007; Dubois and Gadde, 2002, 2014). However, the grounded theory approach was not as well-suited to theorising the process since the static nature of the data-coding table, as is the case with the output, complicates the creation of a process understanding of how and why events change over time. In order to address this methodological shortcoming, this study changed the methodological approach from one based purely on grounded theory to an abductive process theorising the approach of how and why the learning processes affect the internationalisation process over time (Dubois and Gadde, 2002, 2014; Langley et al., 2013; Locke et al., 2008).

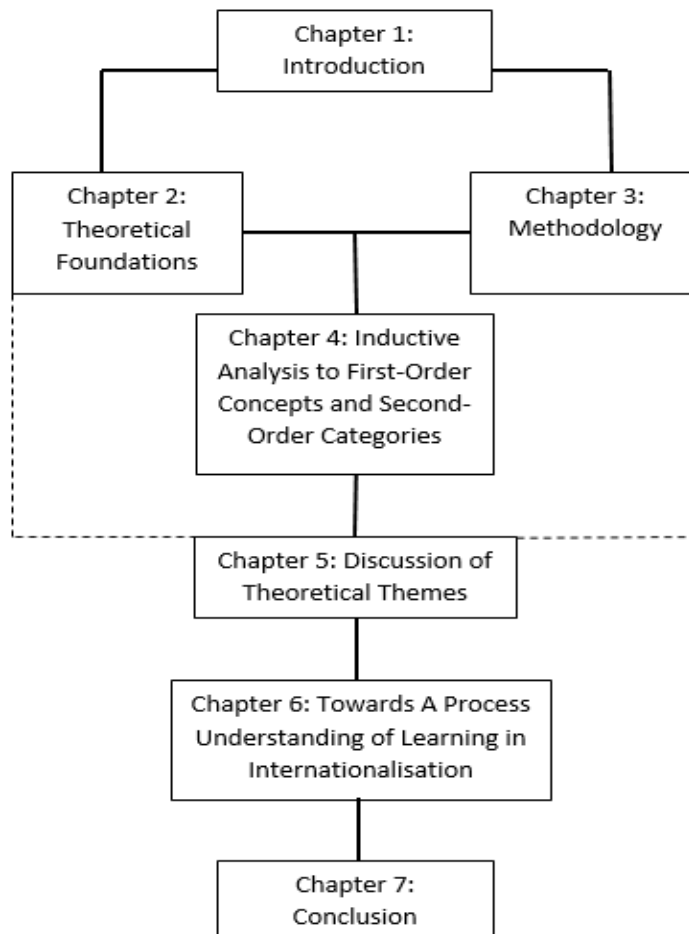
This methodological combination of grounded theory and abductive process theorising was well-suited to reveal how and why cultural factors affected the firm's capacity to absorb knowledge, in order to theorise how and why the experiential knowledge may not be transferred within the firm over time. Therefore, the thesis suggests, in concordance with recent methodological advances (Dubois and Gadde, 2002, 2014), that whilst the grounded

theory is appropriate and trustworthy for matching data with theory, even new theories need to draw on the extant theoretical understanding to provide a novel understanding. Therefore a purely grounded approach was not appropriate to advance the extant theoretical process understanding. Instead, the narrative process theorising approach (Pentland, 1999; Pettigrew, 1997) was better-suited to capture the social processes and causality in the natural context and it draws on Dubois and Gadde (2002), Langley et al. (2013) and Locke et al.'s (2008) process analysis of the technique of 'abduction' to theoretically advance and sensitise understanding of how cultural differences influence evolving phenomena over time. Overall, this thesis addresses the wider methodological calls to employ more qualitative process-oriented research methods in the international business literature, to advance process understanding and explanations of how and why firms' behaviour evolves over time (Eden, 2009; Burgelman, 2011; Birkinshaw et al., 2011; Welch et al., 2016; Welch and Paavilainen-Mäntymäki, 2014; Vahlne and Johanson, 2017; Cheng et al., 2009, 2014; Cantwell and Brannen, 2016; Langley et al., 2013).

1.7 Outline of Dissertation

The dissertation is structured into seven chapters as shown in Figure 1.

Figure 1. Chapter Overview (Author, 2017)



1.7.1 Chapter 1: Introduction

The introduction chapter has set out the scene for this thesis. It outlined the empirical and theoretical background, the current gap in our understanding of whether experiential knowledge is transferrable and, in this regard, whether grafting may allow to expedite the internationalisation knowledge acquisition or not, the methodological approach employed to answer the research questions as well as the theoretical contributions that emerged from this study.

1.7.2 Chapter 2: Theoretical foundations: the Problematisation of Knowledge, Learning and Culture in the Internationalisation Process

The second chapter will outline the theoretical foundations for this abductive study in order to establish the current accepted theoretical understanding while simultaneously ‘problematising’ the extant literature in order to subsequently contrast and enhance theoretical understanding (Alvesson and Sandberg, 2011; Golden-Biddle and Locke, 2007; Dubois and Gadde, 2002, 2014). Specifically, the chapter identifies the gap in internationalisation process research, to theoretically understand how and why experiential knowledge can be transferred at the individual level. This matters because it in turn prevents exploration of how and why the indirect learning processes of grafting may, or may not, enable MBEs to close their knowledge gap in an expedited manner, to therefore accelerate their internationalisation processes.

1.7.3 Chapter 3: From Grounded Theory to Process Theory

This chapter will present the adopted research methodology in order to create a rich, authentic and trustworthy research output. In order to do so, the author adopted a qualitative abductive process research approach which was applied on a single revelatory case study. The single revelatory case study design allows for a flexible, but guided research design that generated a narrative in order to discover and gather conceptual insights based on the sequence of events. This evolving case narrative of gathering and presenting data allowed, the thesis to problematise extant theoretical understanding and the underlying theoretical assumptions based on the relationships of those conceptual elements in the sequence of the events. The author had examined a single MBE internationalisation process into a culturally unfamiliar market context in real time for rich insights on the managerial level, which are almost unknown in international business research (Chapman et al., 2004). This single revelatory case study moves from the particular case to search for an explanation of how and why the indirect learning process of grafting can contribute to the broader debate on whether firms may acquire experiential knowledge indirectly to accelerate their internationalisation processes.

Underpinned by the critical realist ontological and epistemological assumptions, this approach contributes to understanding of a process that links the micro, individual level to

macro-level analysis of firms, to unpack how and why the underlying social structures i.e cultural differences on an individual level impact the ability to absorb grafted experiential knowledge at firm level, and to theorise the impact on the internationalisation process (Sharpe, 2004). This approach enables the author to sharpen how and why interpersonal cultural differences limit a firm's capacity to absorb experiential knowledge to provide a processual account of how and why an indirect learning process impact the internationalisation process over time. The study combines data gathering and analysis techniques derived from grounded theory to avoid confirmation bias; and subsequently it was changed to abductive theorising to create a process-based explanation that yielded much more than inductive or deductive approaches, by developing a new understanding based on the contrasting of the established theoretical concepts with the relationships unveiled in the empirical case (Dubois and Gadde, 2002). This approach is consistent with the internationalisation process literature and is indeed welcomed as well as practiced by the founders of the Uppsala model namely: Vahlne and Johanson (2017) (Welch et al., 2016).

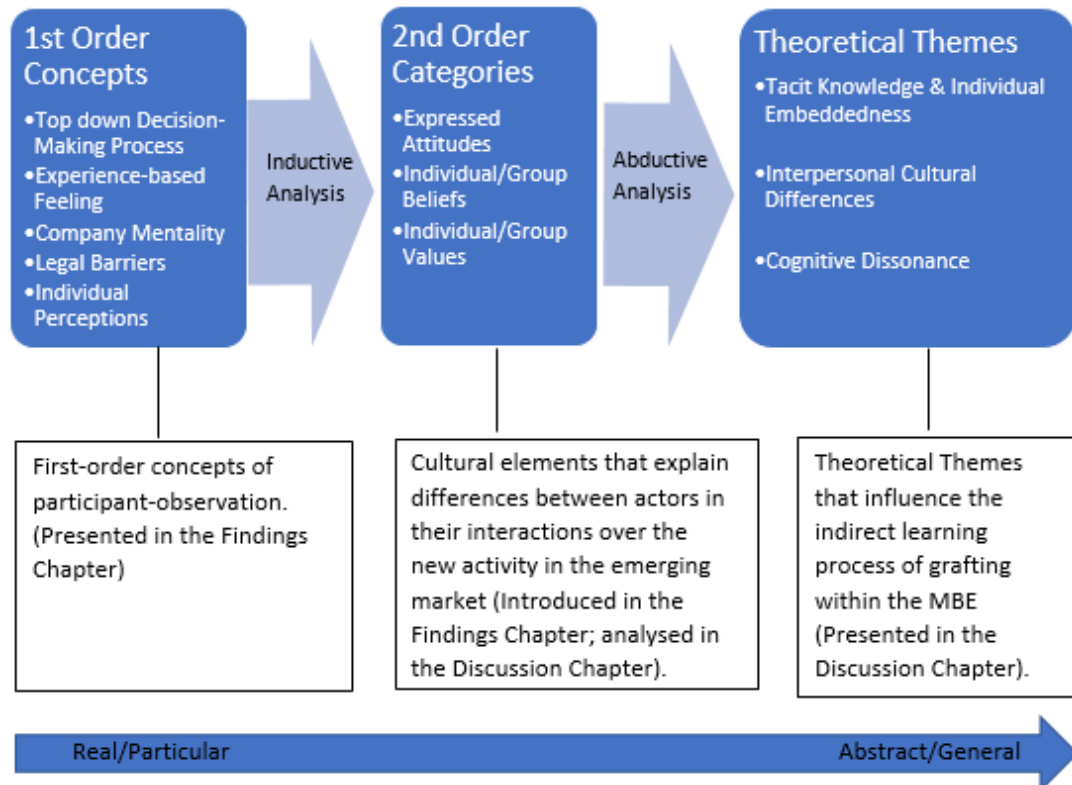
1.7.4 Chapter 4: Inductive Findings to First-Order Concepts and Second-Order Categories

This chapter will present the evidence for the first-order concepts and second-order categories that emerged from the open data analysis in a rich narrative to address the overall guiding research question of how and why grafting impacts the firm's ability to close its knowledge gap in an expedited manner in order to successfully expand into a culturally distant host context. The data structure is shown below, which illustrates how the five first-order concepts and three second-order categories emerged from the process data.

The first-order concepts became apparent through the reiterative crafting of the case narrative accompanied by a reiterative analysis, as explained in the methodology chapter. The first-order concepts enabled the author to identify the underlying processes and elements from the informants and the case study that could explain how and why the MBE was not able to integrate the grafted managerial know-how across its hierarchy into the firm's learning process to be able to close the knowledge gap to be able to successfully internationalise into a culturally distant host market. The first-order concepts that emerged from the identified temporal phases of the evolving case study narrative are: #1 the top-

down decision-making process; #2 experience-based feeling; #3 company mentality; #4 legal barriers; and #5 individual perceptions.

Figure 5: Data Analysis Structure (Author, 2017 drawing on Gioia et al., 2013)



The second order categories are focused on ‘stepping up’ from the informants’ language and context to the theoretical realm to capture the larger narrative of ‘what’s going on here’, i.e. to search for a deeper explanations that move beyond the descriptive first-order concepts to move along ‘the ladder of abstraction’ to eventually be able to develop an explanation beyond the particular case – “what is this a case of” (Tsoukas, 2009:298 cited in Langley et al., 2013:8). In order to do so, the author employed value coding and the evolving case study narrative which enabled the author to illustrate that the deeper underlying reason for how and why the relevant experiential knowledge was not transferred effectively was due to the implicit underlying interpersonal differences between the grafted manager values, attitudes and beliefs that were fostered in the host context, on the one hand, and on the other hand, the values, attitudes, and beliefs of the senior managers that were fostered in the home context. The second-order categories illustrate that the ability and willingness of the individuals to transfer and absorb knowledge at the individual level has been influenced by

the individual manager's perception of the social world around them, underpinned by their individual values, attitudes, and beliefs.

These inductive findings are presented in a rich narrative which is structured into four 'events' in sequence. In each event phase the author will outline what happened, and more importantly 'what's going on here' by focusing on what stimulated the knowledge transfer (i.e. the reasons for why the company had grafted a manager), how effective the knowledge transfer was between the grafted manager i.e sender and the senior managers at the headquarter i.e receivers, and the outcome of the knowledge transfer i.e. whether the grafted knowledge had become absorbed in the firm's knowledge base to overcome the knowledge gap in an expedited manner to successfully expand into a culturally distant market. Thereby this chapter allows the author to gain a deeper understanding of the case to search for a theoretical explanation as to why the process unfolded over time to then abductively develop a theoretical understanding of how the particular process that can speak beyond the particular case to sharpen the theoretical understanding of how and why grafting enables firm to close the knowledge gap in an expedited manner as we will see in the next chapter.

1.7.5 Chapter 5: Discussion of Theoretical Themes

This section will discuss the presented findings in light of the existing theoretical insights on the learning processes that are argued to drive the internationalisation process of firms in order to infuse the empirical findings with theoretical significance and meaning to enhance and sensitise the extant theoretical understanding and explanation (Golden-Biddle and Locke, 2007). In contrast to a purely inductive approach, this study's abductive approach leads the discussion of the theoretical themes to be particularly focuses on refining the theoretical understanding and explanations, by contrasting the extant theoretical constructs and assumptions vis a vis the evolved case study findings, to abductively to refine the theoretical understanding rather than to generate new theories (Dubois and Gadde 2002, 2014). Specifically, it discusses the sensitised theoretical understanding of how and why the interpersonal cultural differences on a managerial level affect the ability to effectively transfer and absorb experiential knowledge within the MBE. This abductive methodological approach allows the author to sharpen the theoretical understanding of how the underlying learning processes, as the critical driving mechanism for the internationalisation process,

which can explain how and why firms internationalise differently (Johanson and Vahlne 2009; Vahlne and Johanson 2017; Welch et al. 2016).

The chapter will present the three theoretical themes that emerged by exploring the research question of how and why grafting impacts the firm's ability to close its knowledge gap in an expedited manner to successfully internationalise into a culturally distant host context, and more specifically by addressing the evolved sub-research questions shown in Appendix 9.1 that guided the data analysis and subsequent discussion of the emerged themes. The themes are a combination of the inductively captured findings in the ethnographic methods on the managers' ability to share their experiential knowledge on an interpersonal level, matched with 'useful theories' and concepts (liabilities of foreignness, cultural and psychic distance, absorptive capacity and the assumptions of the internationalisation process). Thereby this study sharpens the theoretical understanding based on problematizing the extant understanding as proposed by the theoretical constructs and assumptions with the evolved findings that draw on these concepts and a nascent concept of cognitive dissonance to arrive at abductive theoretical themes that captures the refined theoretical understanding and relationships. As outlined by Dubois and Gadde, (2002) even to discover 'new things' such as processes, the research must consider the extant theoretical constructs and understanding to advance it, but opposed to confirmation studies, to sharpen theory one needs not to be constrained by the previous developed theoretical understanding and constructs, but advance it by confronting the theory with the empirical findings to contribute to the theory development process.

1.7.6 Chapter 6: Towards a Process Understanding of Learning in Internationalisation

This penultimate chapter will discuss the process-based explanation that emerged from the data analysis. The process understanding illustrates that the interpersonal cultural differences impeded the knowledge absorption process that was required to indirectly acquire experiential knowledge in the minds of the decision-makers in order to be employed at firm level. The process understanding illustrates that the cultural impediments prevented the firm to absorb the market-specific knowledge to be able to recognise the knowledge gap in advance, as well as, to absorb the general experience based knowledge of how to address the cultural differences along the process. As a consequence, the managers had to learn

through the direct experience to recognise their knowledge gap. This revealed that the direct experiential learning process was being the most important learning process of the key decision-making managers, which ultimately shaped investment decision and thereby the firm's internationalisation process. Nevertheless, the grafted manager was able to employ his personally acquired experience-based knowledge for the company by developing an alternative approach that resonated with the extant internationalisation process knowledge of the key decision-makers and therefore was recognised as valuable and resonated with the underlying cultural attributes of these managers. In addition, the extant knowledge base and underlying beliefs of the senior managers seems to have been contrasted based on the direct leaning experiences and seemingly lead to a reflection on some of the established beliefs, but the change in these beliefs were incremental and impeded due to the intrinsic inclination to avoid contrasting information and knowledge which undermined the personal values and beliefs of the senior managers.

1.7.7 Chapter 7: Conclusion

The final chapter will conclude the thesis by crystallising the theoretical and practical contributions that emerged from this study. This Ph.D. enhances and sensitises the theoretical understanding and explanation of how and why grafting may not enable larger MBE to close the knowledge gap as the most critical obstacle to internationalise successfully into new unfamiliar markets in an expedited manner. The rich, authentic and trustworthy process data enabled the author to unpack how and why the interpersonal cultural differences on an individual level affect the ability to recognise the value of potential useful experience-based knowledge. This refined theoretical understanding enabled to explain how and why the extant knowledge base of the firm including the acquired beliefs and 'dominant logics' embedded in the internationalisation knowledge affect the ability to absorb new experience-based knowledge. Thereby this thesis is providing a more nuanced process-based explanation of how and why MBEs that have been incrementally acquiring experiential knowledge and developing experiential internationalisation knowledge internally may not be able to rapidly absorb potentially valuable pre-existing experience-based knowledge from a culturally distant context in order to accelerate the experiential learning process, as the 'born global' literature has suggested (Barkema and Vermeulen, 1998; Barkema and Drogendijk, 2007; Reuber and Fischer, 1997; Petersen et al., 2003; Oviatt and McDougall, 1994). The study, therefore, contributes to resolve the contradiction between the arguments of the born

global and traditional internationalisation process model on the role and impact of pre-existing experiential knowledge on the speed of firms' internationalisation processes.

The theoretical contributions and insights gained also enables to provide some managerial recommendations of how to address the cultural impediments to effectively transfer and absorb experience-based knowledge as an alternative means to address the knowledge gap in comparison to the direct experiential learning process of 'learning by doing' through trial and error. The thesis suggest that the senior managers had to learn through the direct experience of being exposed to knowledge that is contrasting to the own personal values and beliefs system to shake up the established values and beliefs and allow to recognise that value of such different experiential knowledge. Accordingly, one options is to expose the senior managers to fundamental different cultural ways of doing business allows to gain an appreciation of potential contrasting knowledge based on the experience that different contexts require different types of experiential knowledge. The direct learning process to acquire market-specific knowledge about the cultural conditions as well as general experience-based knowledge of how to learn about cultural differences is essential to push the boundaries of the absorptive capacity of the firm - allowing managers to recognise the potential value and then be able to integrate it and exploit ultimately for the firm's own ends.

Taking into account the cultural impediments, adjusting the organisational structure with sufficient flexibility may be an alternative. This would allow knowledgeable managers to be the decision-makers to be able to integrate the experiential knowledge into the firm's internationalisation process. This would provide a significant remedy to the cultural impediments by enabling managers to employ their tacit experience-based knowledge with greater discretion in order to facilitate absorption in the firm knowledge pool rather than having to absorb the experience-based knowledge in the minds of the key decision-making managers. Yet the decentralisation of decision-making processes and units may create coordination issue to the coherent and alignment of the different department to warrant the achievement of the corporate goals.

2 Theoretical Foundations: Knowledge, Learning and Culture

2.1 Introduction

This chapter will outline the theoretical foundations for this abductive study in order to establish the current accepted theoretical understanding while simultaneously problematising the extant literature in order to subsequently contrast and enhance theoretical understanding (Alvesson and Sandberg 2011; Golden-Biddle and Locke 2007; Dubois and Gadde 2002; Dubois and Gadde 2014). It identifies the gap in internationalisation process research, to understand how and why experiential knowledge can be transferred at the individual level, to see how and why the indirect learning processes of grafting may, or may not, enable MBEs to close their knowledge gap in an expedited manner to be able to successfully expand into a culturally distant host context.

International business and internationalisation processes research is based on a broad and multidisciplinary range of theories, frameworks, and concepts to address the inherent complexity in internationalisation processes. This complexity creates the challenge of having to integrate theoretical perspectives with different ontological and epistemological assumptions into a coherent theoretical story (Bello and Kostova, 2012; Cheng et al., 2009). Whilst the scope for theoretical perspectives on understanding the internationalisation processes is vast, this thesis has selected the following three critical theoretical literatures for its guiding framework: a knowledge-based view of the firm; learning processes; and cultural differences. Each of these either enables or constrains the internalisation processes of firms. Abductively combining these three perspectives with an evolved understanding of the empirical case enables the author to generate a novel and nuanced explanation of the process that could have not been produced by relying on a single theoretical perspective (Doz, 2011; Caprar et al., 2015; Shenkar, 2012; Sapienza et al., 2006; Cheng et al., 2009; Cheng et al., 2014).

The Uppsala internationalisation process model is a general model which seeks to explain several knowledge development processes (e.g. operational and dynamic capabilities) that unfold simultaneously within MBEs; it stresses those process that affect the formal

commitment process of allocating resources into foreign markets (Andersen, 1993; Vahlne and Johanson, 2017). Accordingly, the literature review points out the complementary insight of 'dynamic capabilities' which has been drawn on to explain how and why new resources (e.g. knowledge) are integrated through "repeated practice"; and therefore experiential learning is considered the chief form of learning, which unfolds over time (Vahlne and Johanson, 2017; Eisenhardt and Martin, 2000:1114-1115). However, it is beyond the scope of this study to review this literature in depth. For a comprehensive overview of knowledge development processes to reconfigure extant capabilities and to develop new operational capabilities - referred to as 'dynamic capabilities' (see Sapienza et al., 2006; Teece, 2007; Teece, 2014; Teece et al., 1997).

The chapter is structured into four sub-sections as follows:

Firstly, the contributions of the knowledge-based view of the firm to the international business and internationalisation process research are presented. More specifically, this critically discusses the extant theoretical insights of the knowledge-based view that have been generated to explain how and why knowledge may be effectively transferred within MBEs, and how this permits MBEs to expand internationally.

Secondly, the internationalisation process research will be reviewed in light of the evolved theoretical understanding of the underlying learning processes that have been argued to drive the internationalisation process, and that are therefore simultaneously able to explain firms' internationalisation processes over time. In particular, the different means of acquiring experiential knowledge to address the liability of foreignness and the associated 'knowledge gap' will be critically discussed, since this gap is argued to be the most significant hurdle for firms to internationalise successfully.

Thirdly, the international business research that had emerged on understanding how and why cultural differences affect the internationalisation process over time is critically reviewed. The international business literature asserts that differences between countries in terms of social structures and cultures impede the MBE's prospects of operating in the same way as it does in its home context. Numerous concepts have emerged in international business literature to capture the impact of the numerous differences aggregated at the firm or national level in terms of 'distance'. Nevertheless, theoretical understanding of how and

why cultural differences translate into complications on a managerial level within firms, to understand how and why knowledge may not be transferred across cultures within firms, has not yet been sufficiently developed (Orr and Scott 2008; Jackson and Deeg 2008; Denk et al. 2012). Finally, a summary of the chapter's core message is provided.

2.2 Knowledge-based View of the Firm in International Business Research

2.2.1 Knowledge-based View of the Firm and MBEs' Competitive Advantage

The knowledge-based view of the firm has made a number of significant contributions to international business literature and internationalisation process research in order to understand how and why MBEs are capable of expanding internationally and increasingly dominate the international economy (Kogut and Zander, 1993; Tallman, 2003). The following review will focus on the knowledge-based view of the firm insights on how and why different types of knowledge, based on the characteristics of the knowledge and the firm's absorptive capacity, may be effectively transferred within the MBEs, enabling MBEs to expand internationally.

The knowledge-based view of the firm research community has revealed the paramount importance of knowledge as the most important strategic resource for MBEs to create a competitive advantage and therefore to be a key determinant for the MBE's performance (Crespo et al., 2014; Kostova et al., 2016; Eden, 2009; Michailova and Minbaeva, 2012; Kogut and Zander, 1993; Fletcher et al., 2013; Grant, 1996; 2006). The pioneering work of international business literature was driven by the empirical phenomena of foreign direct investment (FDI) (Buckley et al., 2017; Buckley and Lessard, 2005), and proposed the idea that firms' FDI was driven by the ability to create knowledge-based capabilities such as technology in one location and transfer them to another location in order to exploit the knowledge based-assets (e.g. Kogut and Zander, 1993; Michailova and Mustaffa, 2012; Gupta and Govindarajan, 2000).

The knowledge-based view of the firm has emerged as an offspring of the resource-based view of the firm (Barney et al., 2011). It explains how and why firms have an international competitive advantage over their domestic counterparts in their ability to create and transfer

knowledge-based capabilities – the governance of knowledge (Tallman, 2003; Fransson et al., 2011). The knowledge-based view of the firm suggests that the acquisition and recombination of firm-specific knowledge is tacit in nature, making knowledge-based capabilities hard to transfer and imitate (Kogut and Zander, 1993; Penrose, 1959). Achieving transfer allows firms to establish a competitive advantage that facilitates their expansion into foreign markets (Martin and Salomon, 2003). Therefore researchers have focused on analysing the tacit knowledge in firms' resource bases since it can be "a potent source of distinctive competitive advantage" (Martin and Salomon, 2003:360; Simonin, 1999; Teece, 1981; Reed and DeFillippi, 1990; Grant, 1996; Wright, 1997). The knowledge-based view of the firm therefore concludes that the creation, transfer and integration of tacit knowledge is a key advantage of an MBE. The primary role of firms is therefore to absorb and integrate specialist knowledge that resides within individuals, so that firm-specific knowledge can be developed as the basis for their international competitive advantage (Grant, 1996; Fletcher and Harris, 2011).

The international business research suggests that, since its tacit nature renders "the transfer of knowledge between organizational members exceptionally difficult" (Grant, 1996:114; Martin and Salomon, 2003; Nelson and Winter, 1982), the parent company will naturally push to impart such knowledge to its subsidiaries as completely and quickly as possible, to help them overcome the liability of foreignness and compete successfully with local companies (Zaheer, 1995; Song, 2014).

The most profound publication in the international business literature was generated by Kogut and Zander (1993), who proposed that firms are best conceptualised as social communities which specialise in the production and transfer of tacit (technology) knowledge based on common understandings and frequent interactions across borders (Tallman, 2003). Since then, the international business literature has made the assumption, based on examination of firms in California that successfully transferred technology knowledge, that firms are able to transfer objective and even tacit knowledge within the firm across cultures and borders. Technology knowledge was conceptualised as organisational knowledge, and its tacitness was believed to complicate its firm-level transfer, yet MBEs could codify, explicate and transfer knowledge efficiently across borders, giving them their competitive advantage and offsetting their liability of foreignness (Tallman, 2003; Kogut and Zander, 1993; Zaheer, 1995).

Since that pivotal publication the academic discourse has placed great emphasis on understanding the dependency and the ability to transfer tacit knowledge (Kogut and Zander, 1993; Tallman, 2003). This argument has been analysed, re-examined and criticised within the international business community as part of the knowledge-based view of the firm (Fransson et al., 2011). It's most important insight has been into firms' ability to transfer knowledge, including tacit knowledge, within the MBE more efficiently than by obtaining it from the market, contradicting Buckley and Casson's (1976) internalisation theory, based on transactions cost economics. Kogut and Zander (1993) argue specifically that knowledge - transmission is not costless - a public good in economic terms - and that the more tacit the knowledge, the more costly it is to codify and explicate in order to transfer it. Their empirical research measures the tacitness of technology knowledge, and suggests that greater complexity, lower codifiability and lower teachability are all predictors of greater efficiency of transfer by wholly-owned subsidiaries than by joint ventures or of licensing to transfer technology knowledge, independently of the characteristics of the sender and receiver e.g absorptive capacity (Tallman, 2003).

Overall, the knowledge-based view of the firm has suggested that even though it is not easy, individually-acquired tacit knowledge can be transferred within the firm and this assumption has become the status quo for international business literature to explain the ability to expand abroad (Felin and Hesterly, 2007; Szukanksi, 1996; Kogut and Zander, 1996; Johanson and Vahlne, 2009; Vahlne and Johanson, 2017). Consequently, a number of fundamental insights, key concepts and generalisations about the process of internal knowledge-sharing have been established over time (Michailova and Minbaeva, 2012; Song, 2014). The subsequent discussion will critically review the core insights into the characteristics of knowledge and the concept of absorptive capacity that influenced theoretical understanding of firms' ability to internationalise.

2.2.2 Characteristics of Knowledge: Explicit versus Tacit Knowledge and MBEs' Competitive Advantage

First of all, knowledge characteristics have been discussed in terms of their ability to affect the transfer of knowledge within MBEs (Michailova and Mustaffa, 2012). There is a distinction between explicit or codified objective knowledge and implicit tacit (experiential) knowledge within the resource-based view of the firm (Barney, 1991) and the knowledge-

based view (Grant, 1996), and evolutionary economics (Nelson and Winter, 1982) and in the internationalisation process literature based on the characteristics of knowledge (Johanson and Vahlne, 1977; Fletcher and Harris, 2011). Objective general knowledge is considered to be easily transferrable within the MBE whilst tacit experiential knowledge is believed to require more time-consuming interaction: “Tacit knowledge is by definition implicit, as originally defined by Polanyi, is that feature of knowledge that requires ‘the observance of a set of rules which are not known as such’ to those following them” (Polanyi, 1958:49, cited in Martin and Salomon, 2003:360; Nelson and Winter, 1982). The underlying epistemological reason as argued by Polanyi (1966:4, cited in Minbaeva, 2007:573) is that “we can know more than we can tell and we can know nothing without relying upon those things which may not be able to tell”. In other words tacitness can be defined as implicit know-how, which is hard to articulate and codify, and therefore tacit knowledge is bounded by its context (Minbaeva, 2007).

The knowledge-based view of the firm introduced the tacit/explicit knowledge distinction Kogut and Zander (1993) and has been examined most extensively (Michailova and Mustaffa, 2012). According to Kogut and Zander (1993:631) a crucial distinction to be made is between “information and know-how”. Information is a factual statement - for instance, “inventory consists of 100 items” (Kogut and Zander, 1993:631). Know-how is defined as a “recipe describing how activities are carried out, such as inventory is ordered when only 25 items remain” (Kogut and Zander, 1993:631). One way of distinguishing Information from know-how is that the former is usually explicitly expressed in blueprints, whilst know-how tends to be described in manuals with details about requisite procedures (Kogut and Zander 1993). Consequently, on the one hand there is explicit knowledge which can be codified and easily communicated between individuals and organisations, thus being relatively easy to transfer. On the other hand, implicit or tacit knowledge such as know-how, contextual knowledge and skills often gained by experience and only visible in its application, is costly and time-consuming to transfer (Kogut and Zander, 1992; Nonaka, 1994, cited in Grant, 2006:5). Tacit knowledge tends to be “sticky” within individuals, unless the individuals possessing the knowledge move within the organisation or are incentivised to share it (Szukanski, 1996; Tallman, 2003; Song, 2014). The main point here is that researchers have been trying to capture the tacit nature by assessing the ability to codify and explicate the (experiential)

knowledge between units. (For a comprehensive description of each construct see Kogut and Zander, 1993:623-634, and Minbaeva, 2007).

This distinction between explicit and tacit knowledge has been stressed as important by researchers to understand the ability to transfer knowledge within the MBEs. Extant knowledge-based research has suggested that the tacitness of knowledge tends to increase the cost of transferring, combining and deploying knowledge, and further development of how the characteristics of knowledge affect the ability to transfer it has been relatively humble (Foss and Pedersen, 2002; Michailova and Mustaffa, 2012).

2.2.3 Types of Knowledge

This section will examine the three types of tacit knowledge on which firms are believed to depend to be able to enter foreign markets and internationalise: namely, technological knowledge, market-specific knowledge and internationalisation knowledge.

Firstly, the knowledge-based view of the firm stresses the importance of being capable of creating and transferring technological knowledge in order to develop and sustain a competitive advantage, which tends to be developed at home, and then transferred abroad (Martin and Saloman, 2003). Previous research has illustrated that the possession of knowledge-based advantages such as technology may not guarantee the firm's ability to successfully exploit the sources of advantages in foreign operations abroad. Accordingly, tacitness may influence the choice of entry mode in order to be able to exploit the knowledge-based advantages abroad (Tallman, 2003; Martin and Saloman, 2003). The inherent difficulty of transferring tacit production knowledge is outlined by Grant (1996:114): "if most of the knowledge relevant to production is tacit, then transfer of knowledge between organizational members is exceptionally difficult." In the same vein, Reed and DeFillippi (1990) suggest that tacit knowledge is accumulated via 'learning by doing', which leads to the accumulation of implicit and non-codifiable skills. Nonaka (1991) added that individual knowledge is mainly made up of tacit knowledge, and cannot be easily shared because that knowledge is highly personal, deeply rooted in action (experience) and in an individual's involvement within a specific context (Nonaka, 1994, cited in Simonin, 1999:598-599).

Nevertheless, Kogut and Zander (1992) illustrated in an empirical study that the competitive advantages of MBEs are most apparent in the circumstances surrounding transfer of tacit technological knowledge based on their combinative capabilities (Kogut and Zander, 1993; Martin and Salomon, 2003; Song, 2014). Accordingly, the knowledge-based view of the firm suggests that tacit knowledge deserves the most attention since it is seen as critical in order to develop a firm-specific competitive advantage (Fletcher et al., 2013), but simultaneously stressed that this very tacit nature affects the ability to effectively transfer experiential knowledge within the MBE.

Secondly, the internationalisation process research suggests that market-specific knowledge is critical for firms to reduce the perceived uncertainty and risk in internationalisation (Johanson and Vahlne, 1977; Fletcher and Harris, 2011). Building on Penrose the theory of the growth of the firm and the distinction between experiential and objective knowledge (Johanson and Vahlne, 1977) internationalisation process research suggests that individual managers acquire tacit market-specific knowledge through experiential learning in foreign markets when expanding abroad (Hutzschenreuter and Matt, 2017). The market-specific knowledge is said to contain business and institutional knowledge about governance structures, rules, regulations, norms and values, and business knowledge about competitors, customers and their behaviour in the markets (Brennan and Garvey, 2009; Fletcher and Harris, 2011; Eriksson et al., 1997).

Managers may acquire experiential knowledge about the explicit institutions and implicit value and cultural assumptions and business knowledge via experiences; this market-specific knowledge contains tacit knowledge about the value and cultural assumptions of 'how to play the game' (Zaheer, 1995). The country-specific market knowledge is tacit and needs to be codified into objective and explicit knowledge in order to integrate it into the extant firm-specific internationalisation knowledge to develop and execute market entry strategies (Basly, 2007; Karlsen et al., 2003, cited in Fletcher et al., 2013:50). Extant research on the internationalisation process suggests that this experiential market-specific knowledge is, again, tacit and, so cannot be easily transferred within the firm (Johanson and Vahlne, 1977; Fletcher and Harris, 2011). However, internationalisation process research has not explored firms' ability to explicate their tacit market-specific knowledge and assumes that it cannot be articulated or codified into explicit knowledge and therefore cannot be transferred within the firm (Petersen et al., 2003).

Thirdly, international business research has suggested that through expansions over time firms' managers also acquire general internationalisation knowledge besides their market-specific knowledge. This internationalisation knowledge is also argued to be tacit in nature (Prashantham and Young, 2011; Eriksson et al., 1997; Fletcher et al., 2013). Through reflections on expansion experiences over time, managers are able to codify and explicate tacit experiential knowledge into general experience-based knowledge that can be stored in a firm's procedures and routines for how to learn in foreign markets (Eriksson et al., 1997; 2000). This experience-based knowledge of "internationalisation in general" can be transferred within the MBE to help it internationalise more rapidly into new markets (Blomstermo et al., 2004:358). Such 'country neutral' internationalisation knowledge is suggested to contain broader principles of how to create and sustain a competitive advantage in different international markets from the initial entry. These range from opportunity identification, country market screening, and assessing and evaluating potential partners, to penetrating markets, and international enterprise knowledge to address more mature challenges such as how to clear customs and address foreign exchange management challenges (Cavusgil, 1998; Welch, et al., 2007; Fletcher et al., 2013; Fletcher, 2007, cited in Prashantham and Young, 2011:283).

This internationalisation knowledge has been defined as the "structures and routines that can guide the search for experiential knowledge about the foreign markets" (Eriksson et al., 1997). This general 'market neutral' experiential knowledge has been conceived as both non-location-bound and firm-specific, and thereby to be transferrable within the firm (Prashantham and Young, 2011; Fletcher and Harris, 2011, Eriksson et al., 1997). It has been argued that this internationalisation knowledge enables firms to transfer experiential knowledge embedded in the structures and routines of how to acquire market-specific knowledge and to integrate it into the firm's specific internationalisation knowledge, the better to execute market entry and internationalisation strategies (Fletcher et al., 2013). Internationalisation knowledge therefore has been said to facilitate lateral growth to enter new markets and penetrate foreign markets in which firms already operate (Blomstermo et al., 2004; Johanson and Vahlne, 1977; 2009; Eriksson et al., 1997; Prashantham and Young, 2011; Fletcher et al., 2013).

The accumulation and possession of general internationalisation knowledge over time is considered to reduce the perceived knowledge gap and associated risks, so encouraging new

ventures and even larger firms to apply the accumulated general principles and knowledge in new market entry settings (Casillas and Moreno-Menendez, 2014; Sapienza et al., 2006; Autio et al., 2000; Johanson and Vahlne, 2009; Prashantham and Young, 2011; Barkema and Vermeulen, 1998; Barkema and Drogendijk, 2007). This internationalisation knowledge is conceived as representing the (dynamic) capability to learn how to internationalise that allows firms to respond to challenges to retain their competitiveness over time (Johanson and Vahlne, 2006; Autio et al., 2000; Sapienza et al., 2006; Fletcher et al., 2013)

As illustrated above, the knowledge-based view of the firm has been drawn on to explain how and why firms are able to expand abroad; it enhances the theoretical understanding of how and why different types of knowledge affect the internationalisation process (Johanson and Vahlne, 2003, 2006; Vahlne and Johanson, 2013). Accordingly, knowledge has been a central explanatory factor to explain the internationalisation process of firms and in particular the speed of internationalisation (Prashantham and Young, 2011; Autio, 2005; Autio et al., 2000). It includes both technological knowledge derived from international new ventures theory and earlier foreign direct investments, on one hand, and, on the other, market knowledge that has been derived from Uppsala internationalisation process research, as well as 'country neutral' internationalisation knowledge about how to develop and execute international business strategies addressing market differences. All three types of experiential knowledge are held to influence the speed of the internationalisation process, and the ability to learn in turn is determined by the firms' absorptive capacity. These should enable a firm's knowledge creation and exploitation of knowledge that enhances a "firm's ability to gain and sustain a competitive advantage" (Zahra and George, 2002:1852). For instance, Prashantham and Young (2011) suggest that the absorptive capacity enables technological and market knowledge to be accumulated in an accelerated fashion, which has the potential to then accelerate the internationalisation process.

However, some research has suggested that learning has its limits, and that if the expansion steps and the differences in the extant cross-cultural knowledge base and the knowledge base are too large, firms may be unable to interpret the market-specific knowledge to assimilate and apply it for their own internationalisation ends (Barkema and Drogendijk, 2007). Firms and managers may not therefore be able to apply such internationalisation knowledge effectively due to overconfidence in their own routines, leading to a superstitious learning - the fallacious application of knowledge from one foreign market to another one.

This widens the knowledge gap after market entry, in particular if the pre-existing knowledge located in routines has been in place for a long time (Levitt and March, 1988, cited in Petersen et al., 2008:1098; Sapienza et al., 2006; Autio et al., 2000).

The internationalisation process research stream suggests that experiential knowledge can be made explicit to be stored as general experience-based knowledge in routines in the firm (Nelson and Winter, 1982). Yet, internationalisation knowledge is thought to be acquired by individuals making it tacit, as it entails critical cross-cultural know-how about institutional and cultural differences, ethical values, or decision-making styles in different countries (Fletcher et al. 2013; Cavusgil, 1988). According to Fletcher and Harris (2011), unlike technological knowledge and market-specific knowledge, internationalisation knowledge requires a frequent and sustained interaction between the sender and receiver of the internationalisation knowledge at managerial level to be able to absorb the general experience-based internationalisation knowledge into the extant firm-specific internationalisation knowledge. Research has not however explored whether experiential internationalisation knowledge can be transferred at the individual level; nonetheless, it asserts that experiential knowledge can be absorbed and stored in a firm's routines (e.g. Nelson and Winter, 1982).

Firms must have the absorptive capacity - appropriate routines to be able to acquire, assimilate, transform and exploit new knowledge by leveraging extant capabilities (routines and resources) or to develop new capabilities. The acquisition of experiential knowledge over time acts as a catalyst to adjust these learning routines and organisational structures (Eriksson et al., 1997; 2000). (For a review of the differences between capabilities and routines see Nelson and Winter (1982); Sapienza et al., (2006). Extant research has outlined that MBEs are only able to learn from their local experiences if the new knowledge overlaps or is closely related to the extant knowledge base (Cohen and Levinthal, 1990; Barkema and Drogendijk, 2007:1136). In other words, the learning skills and ability to assimilate and interpret the new information and knowledge requires the firm to possess a similar or overlapping knowledge base compared to the one required to operate in culturally distant markets or even regions (Barkema and Drogendijk, 2007). Hence, the extant knowledge base and developed routines - the absorptive capacity - may have limits in their capacity to learn how to overcome the knowledge gap within distant cultural contexts (Barkema and Drogendijk, 2007).

2.2.4 Absorptive Capacity

Secondly, Andersen (1993) conceptualises the internationalisation process research as an innovation process, to explain how and why firms can learn in different ways than through learning from their own experiences, based on the knowledge-based view of the firm. The knowledge-based view has been drawn on to explain how external/internal sources may provide innovation (Cohen and Levinthal, 1990) and explorative learning opportunities (March, 1991) to internationalise, as observed in new international ventures versus the larger MBEs' internationalisation processes (e.g. Petersen et al., 2003; Prashantham, 2005). The knowledge-based view of the firm has generated research into firms' absorptive capacity as a distinct research stream derived from the knowledge management (innovation) literature, with the goal of refining understanding of how and why new (experiential) knowledge can be effectively acquired from external sources in order to be transformed and exploited for the firm's commercial ends (Cohen and Levinthal, 1990; Barkema and Drogendijk, 2007). This concept has been considered as aligned with the incremental conceptualisation of knowledge accumulation as a gradual 'history-dependent' cumulative process (Johanson and Vahlne 2009, 2013), explaining the incremental learning and expansion speed, as suggested in the Uppsala internationalisation process model. The importance of this assumption will be discussed in more depth below, in section 2.3.

The concept of absorptive capacity was developed by Cohen and Levinthal (1990). The founders proposed that learning in organisations is cumulative and is most effective if knowledge is related to the extant knowledge stock. As a result it is difficult to learn in new domains: to recognise the value of new, external information, assimilate it, and apply it to commercial ends (Barkema and Drogendijk, 2007). The extant knowledge-management literature has proposed that the absorptive capacity of the receiving unit is the most important determinant to impact the effectiveness of the knowledge-transfer processes within MBEs (Gupta and Govindarajan, 2000; Minbaeva et al., 2003; Song, 2014; Minbaeva et al., 2014). The concept has been developed in a number of literatures on organisational learning theory, knowledge transfer and internationalisation process; it has also been applied to different types of knowledge which has blurred the theoretical understanding and development of the construct. (For a comprehensive review of the challenges and gaps in theoretical understanding of the concept see Michailova and Mustaffa (2012); Song (2014)). Most prominently the concept has been developed as part of the current theme in research

into knowledge transfer process to identify the determinants or factors that facilitate or inhibit knowledge transfer within units of the firms and thereby explain the variation observed in the extent to which knowledge has been transferred (Argote and Miron-Spektor, 2011:1131; Song, 2014). This concept has been employed on both the individual and firm level as firms and individuals may differ in their absorptive capacity i.e the ability to recognise the value of new information, and assimilate and apply it for their own ends (Gupta and Govindarajan, 2000; Song, 2014).

The concept of absorptive capacity has been refined most comprehensively by Zahra and George (2002). According to Zahra and George's (2002) summary of empirical studies of absorptive capacity, the concept has four dimensions: acquisition; assimilation; transformation; and exploitation. These four dimensions can be divided into the former two and the latter two. The authors argue that the former are the potential absorptive capacity, and the latter two the realised absorptive capacity (Minbaeva, Petersen, Björkman et al., 2014; Minbaeva et al., 2003). Accordingly, Zahra and George (2002) call on researchers to pay greater attention to analysing the firm's ability to transform and exploit the knowledge rather than just acquire and assimilate it (Petersen et al., 2008). Therefore, the concept seeks to understand how and why knowledge may be not just transferred but integrated into the firm's existing knowledge base or a key individual being able to exploit it. Absorptive capacity has been defined as "a dynamic capability pertaining to knowledge creation and utilization that enhances a firm's ability to gain and sustain a competitive advantage" (Zahra and George, 2002:1852).

The main point here is that international business research has argued that in order to understand how and why knowledge is effectively transferred it requires not only the original knowledge to be transferred, but also the development and transformation of routines that enable the combination of extant and new knowledge. The combination is for the purpose of exploiting the new knowledge by applying it to an organisational capability based on routines, allowing the firm to refine, leverage and extend existing competencies or create new capabilities by the incorporation of new knowledge (Petersen et al., 2008; Martin and Saloman, 2003; Zahra and George, 2002). Accordingly, research should be devoted to analysing the realised absorptive capacity, as opposed to the potential absorptive capacity (Minbaeva et al., 2003; Minbaeva, 2007; Minbaeva, et al., 2003; 2014). For instance, the award-winning article (Minbaeva, Pedersen, Björkman et al. 2003; 2014) pointed out that,

based on the characteristics of knowledge, the knowledge transfer is not a gradual dissemination process, but a dyadic exchange process between the source and the recipient. In this view (Minbaeva et al., 2003:587; Minbaeva, Pedersen, Björkman et al., 2014:39), “the key element in the knowledge transfer is not the underlying (original) knowledge but rather the extent to which the receiver acquires potentially useful knowledge and utilizes this knowledge in own operations”. An effective knowledge transfer is therefore characterised by the ability to codify or explicate knowledge to be able to send it, but even more importantly to be able to absorb it, which has traditionally been considered to manifest some change in the recipient’s behaviour or the development of a new idea that leads to a new behaviour (Minbaeva et al., 2003). As such, the knowledge-transfer literature shares the definition with the organisational-learning literature that effective knowledge-sharing (to acquire new knowledge) will likewise lead to some change in the recipient’s behaviour or in the development of a new idea that leads to a new behaviour (Minbaeva, Petersen, Björkman et al., 2014).

In addition, as pointed out by Minbaeva, Petersen, Bjorkman et al. (2014), to truly capture the dynamic nature of the absorptive capacity concept a dynamic process model is required which can capture and link both sides, the sender and the receiver, to truly understand how and why knowledge may not be transferred effectively within the MBE. Hence, a firm’s ability to transfer experiential knowledge is not a random dissemination process across the managerial hierarchy by some ‘invisible hand’, as implied in the internationalisation process model (Petersen et al., 2003:11), but instead is determined by the ability to absorb and integrate the novel knowledge, leading to new ideas or behaviour over time which requires process understanding (Song, 2014). However, dynamic processual insights among the individual level decision-makers are largely absent from the mainstream international business literature that is mostly based on challenges associated with obtaining longitudinal data on the individual level for both sender and receiver (Chapman et al., 2004; Minbaeva, Pedersen, Bjorkman et al., 2014). This has some implications for the internationalisation process, as will be elaborated later, in section 2.3 (Petersen et al., 2003).

2.2.5 Absorptive Capacity and Speed of Internationalisation

A growing stream of research explores how and why international new ventures are able to internationalise faster compared with the traditional stage-based internationalisation

conceived in the Uppsala process model (Oviatt and McDougall, 1994; McDougall et al., 1994; De Clercq et al., 2012). As outlined above, this stream of research into the internationalisation process has been conceptualised as an innovation process, and variations in internationalisation experiences are seen as a pre-requisite for a successful expansion process (Andersen et al., 1993; Petersen et al., 2008). Prior experiences, before the firm comes into existence, were not considered in the Uppsala internationalisation process model, but surfaced as an important insight to explain the observed accelerated internationalisation of new ventures (Johanson and Vahlne, 2009; De Clercq et al., 2012). This research stream has drawn on the absorptive capacity concept to advance theoretical understanding of how and why knowledge can be acquired more effectively than by relying on the direct experiential learning process of a firm's managers, as they become able to interpret information from within the firm, and from outside, in the market. However, there are two competing arguments between the Uppsala model and international new venture research based on the impact of pre-existing knowledge on the firm's ability to learn to internationalise.

On one hand, the Uppsala internationalisation process research draws on Cohen and Levinthal's (1990) absorptive capacity concept to suggest that firms' ability to acquire, assimilate, transform and exploit new international knowledge depends on their extant knowledge base, and accordingly the more similar is the prior knowledge, the greater the ability to learn and absorb new knowledge. On the other hand, international new ventures draw on learning theory (Cohen and Levinthal, 1990); and March's (1991) exploitation and exploration theory to suggest that firms may choose to operate in diverse new national and product markets in order to foster a more extensive knowledge base early on (De Clercq et al., 2012; Barkema and Vermeulen, 1998; Barkema and Drogendijk, 2007). According to the latter perspective, early internationalisation enables firms to benefit from being exposed to a diversity of cultural and technological contexts and to build a more diverse knowledge base, which is referred to as the learning advantage of newness (LAN) (introduced by Autio et al., 2000) due to the lack of established routines based on past internationalisation experiences that may constrain the firm's ability to learn (Barkema and Drogendijk, 2007; De Clercq et al., 2012). Hence, firms that expand early after inception carry less 'baggage' that prevents firms from identifying potential valuable foreign knowledge compared to internationally established MBEs (De Clercq et al., 2012). In contrast, the ability to absorb new knowledge

may be greater if the firm possess extensive knowledge to be able to acquire, assimilate, transform and exploit the knowledge in value-creating activities (Zahra and George, 2002). As a result of these two competing logics, there is a “paradox of the role of pre-existing knowledge” regarding understanding the impact on firms’ ability to internationalise, between the Uppsala model of Johanson and Vahlne (1977) and the theory of international new ventures developed by Oviatt and Mc McDougall (1998), and De Clercq et al., 2012:163).

Based on the contrasting arguments between the Uppsala model and the international new ventures research stream, there is an incomplete theoretical understanding of how pre-existing knowledge and routines affect the internationalisation process and its speed. The new venture perspective is seen as complementary to explore the causes, processes and outcomes of the Uppsala internationalisation process model; its use has led to the assertion that the individual’s experiential knowledge may substitute firm-level experiences and knowledge, to some extent at least (De Clercq et al., 2012; Autio et al., 2000). Recently, there has been a debate based on March’s (1991) exploitation vs exploration of knowledge perspective. This suggests not only that firms may expand in order to exploit extant knowledge-based, firm-specific advantages by taking incremental steps to complement their extant knowledge base, and thereby reduce the perceived risks in the expansions - as the Uppsala model has suggested; it also suggests that they expand more strategically, to acquire new internationalisation knowledge - as research on international new ventures and ‘born globals’ has proposed - to improve the firms’ performance of future expansions (Barkema and Drogendijk, 2007). For instance, Barkema and Vermeulen (1998) illustrate that variations across products, clients, technologies and markets had a positive effect on firms’ ability to internationalise, based on the premise that firms develop knowledge of how to internationalise differently by being exposed to this environmental diversity. Further, Barkema and Drogendijk (2007) applied the exploration vs exploitation perspective to suggest that firms who are in a race for global domination may explore different institutional environments to gain cultural knowledge, collecting cultural experiential-knowledge more rapidly, based on the developed dynamic capability. This capability has been conceived as the absorptive capacity of the firm aimed at acquiring experiential knowledge (e.g Sapienza et al., 2006; Vahlne and Johanson, 2017). Therefore, early internationalisation may lead firms to develop dynamic capabilities i.e absorptive capacity to learn faster how to address the ‘liabilities of newness’, which can simultaneously threaten the survival of smaller firms. (For

a comprehensive review of the early vs traditional internationalisation processes based on the roles of learning e.g. absorptive capacity vs LAN concept, see Autio et al., 2000; De Clercq et al., 2012; Sapienza et al., 2006). This thesis will return to the issue in section 2.3.

The most important differences between the two internationalisation models lie in the assumptions of the role and influence of individual managers' experiences prior to the internationalisation process (Sapienza et al., 2006; De Clercq et al., 2012). According to the Uppsala internationalisation process model lack of organisational knowledge about foreign markets is the critical hurdle to expansion abroad and internationalisation; and the experiential learning process begins after the firm has entered a new market. The international new venture theory, in contrast, suggests that individual knowledge, beyond market-specific knowledge, can drive the timing and pace of internationalisation, since individuals' experiences can substitute the lack of organisational experiences, routines and capabilities to enable firms to accelerate the internationalisation process before the venture has been created (Sapienza et al., 2006; Johanson and Vahlne, 2009; De Clercq et al., 2012). The underlying reason for these different assumptions seems to be the different theoretical roots of the international new venture: this has focused on the individual entrepreneur, drawn from the entrepreneurial research field, and the Uppsala internationalisation process that draws on firm-level insights which aggregate the individual differences to provide generalisable insights that can explain firm-level processes and behaviour. Yet, the latter has been enhanced by drawing on the entrepreneurial literature (e.g. Schweizer et al., 2008; Welch et al., 2016; De Clercq et al., 2012).

Despite the different roots of the internationalisation models, both the concepts of absorptive capacity and of LAN are based on the assumption that extant knowledge and routines affect the speed of learning but have been largely treated as black boxes. The international new venture literature assumes that early internationalisation automatically enables firms to benefit from the LAN, based on the improved performance outcomes of younger new ventures conceived as a manifestation of their learning advantages. As such the age of the firm is assumed to determine its ability to learn new knowledge, but without illustrating how this benefit is realised and how it affects the firms beyond the aggregated measure of age (De Clercq et al., 2012). The Uppsala internationalisation process research draws on the absorptive-capacity concept at the firm level and suggests that the greater the extant knowledge, the greater the capacity to absorb new knowledge as the explanation of

how and why firms internally accumulate knowledge and wait before seeking to internationalise abroad (to be able to learn); but it has not unpacked how and why differences between the extant knowledge stocks and the required knowledge affect the ability to absorb potentially valuable new knowledge on the individual level, except that prior experiences and previously acquired knowledge limit managers' ability to interpret and learn (Vahlne and Johanson, 2017:1095). Yet, as outlined learning has its limits and the extant literature has suggested that the greater the similarities of the extant knowledge base and underlying learning routines with the new knowledge will allow for an effective knowledge absorption (Zahra and George, 2002; Petersen et al., 2008; Cohen and Levinthal, 1990:131). Therefore, how and why new experiential knowledge takes time to be consolidated in the minds of the individuals has been insufficiently explored, and more importantly how this is integrated into the routines, structures and capabilities via the resource commitment process.

Nevertheless, the notion that firms need to acquire experiential knowledge internally in the foreign markets to be able to close their knowledge gap has been challenged, and the insight that firms' earlier internationalisation decisions shape their ability and speed to learn in foreign markets has become accepted in the Uppsala internationalisation process model. For instance, Petersen et al. (2008) point out that the internationalisation process implicitly suggests that managers in firms develop general experiences and knowledge through previous operations in foreign markets, which serve as stepping stones to enter new markets. Such general experiential knowledge is stored in routines and these routines create the ability to value and assimilate new knowledge that is different from the extant knowledge base (Nelson and Winter, 1982; Eriksson et al., 1977). According to the founders of the Uppsala model, the only exception to the need to learn in foreign markets has been when managers of firms have previously-acquired experiences from similar markets or even from the host context, which enable them to generalise the experience to learn faster about the market's specific conditions (Johanson and Vahlne, 1990:12, cited in Petersen et al., 2008:1100). This insight challenges the importance attributed to the need to acquire experiential market-specific knowledge internally to be able to interpret information from inside the firm and from the foreign market to drive the internationalisation process. Therefore, in the Uppsala internationalisation process model, pre-entry learning is

conceivable, enabling the firm to address its knowledge gap in an expedited manner (Petersen et al., 2008).

So, can larger firms accelerate their internationalisation after market entry? According to the founders of the Uppsala internationalisation process model, even changing the parameter from those pertaining to the firm to one pertaining to the individual managers, “there is nothing in our model that indicates that international expansion cannot be done quickly” (Johanson and Vahlne, 2009:1421). The Uppsala model suggests that observed stages in the process of internationalisation can be accelerated if enough time for reflection and repeated practice is provided, when it is based on the critical learning mechanism of learning leading to increased commitment as the change mechanism at the organisational level (Johanson and Vahlne, 2009; Eriksson et al., 2000; Welch et al., 2016). However, the previous international experiences of individuals may enable acceleration of the internationalisation process; but this is considered “a formality of no major significance” (Johanson and Vahlne, 2009:1421). Vahlne and Johanson (2017:1094) acknowledge that “what managers learn - and their interpretations - depends heavily on previously acquired knowledge, that is, learning is affected by prior experiences”. Accordingly, Johanson and Vahlne (1990) suggest that the experiential learning process (of learning how to interpret information from inside the firm and from outside the market) is difficult to substitute for experiences and advice from outside, when used to diminish the decision-makers’ reluctance to commit to the foreign market (Petersen et al., 2008), based on the absorptive capacity concept on the firm level. This suggests that learning - i.e. acquisition of new (experiential) knowledge – is a history-dependent cumulative learning process, which needs repeated practice to be consolidated into firms’ extant (internationalisation) knowledge pool to be employed effectively (Eriksson et al., 1997; 2000; Vahlne and Johanson, 2017).

Since in the Uppsala model the firm is assumed to start to internationalise from scratch the organisational learning and commitment process will take time before the new individual experiential knowledge is absorbed through ‘repeated practice’ into the minds of the individual decision-makers and more importantly the organisational routines and structures to guide resources commitment in order to create new capabilities; therefore experiential learning unfolds over time (Johanson and Vahlne, 2009:1421; Eriksson et al., 2000; Martin and Eisenhardt, 2000:1114-115, cited in Vahlne and Johanson, 2017:1095). However, extant research has not unpacked how and why differences between pre-existing knowledge and

routines at the headquarters and new individually acquired experiential knowledge necessary to address the new unfamiliar market context affect the firm's ability to absorb grafted experiential knowledge and whether it enables the firm to close its knowledge gap in an expedited manner. In other words, further research needs to explore how grafted experiential knowledge from individuals and the underlying cognitions inform the learning taking place at the firm level if it is to resolve the contrasting arguments regarding the effect of pre-existing knowledge on firms' internationalisation processes (De Clercq et al., 2012).

The organisational decision-making structure seems an important but neglected factor, since in larger and centralised organisations new experiential knowledge needs not only to be acquired, but it needs to be transferred across the managerial hierarchy to be absorbed in the minds of key decision-making managers before it can be absorbed in firms' knowledge bases and routines guiding the strategic decision-making process. As pointed out by Petersen et al., (2003) the Uppsala internationalisation process research stream assumes that the new tacit knowledge that is acquired by individuals on the ground in foreign markets are magically dispersed by some 'invisible hand' across the organisations to reduce the perceived uncertainty of key decision-making managers. This is an idealised model that may fit with entrepreneurial firms where the organisational structures are designed so that the management acquires the knowledge needed to make the decisions. In small new ventures, the decision-making process tends to be less hierarchical which provides great opportunities to rely on newly acquired individuals own personal experiential knowledge in the firm's decision-making process instead of having to transfer it to the managing directors as it is the case in in larger firms with centralised decision-making processes (De Clercq et al., 2012). In addition, contradictory knowledge may be produced in the subsidiaries and it requires management to assign strategic importance to different types of knowledge and how it should be incentivised to be transmitted within the firm (Forsgren, 2000).

Whilst the recent change in terminology from an MNC to an MBE captures the empirical shift to more decentralised organisational decision-making structures in larger firms, appropriate incentive structures are an important consideration to understand the impact of individual-level experiences in the firm-level decision-making processes (Petersen et al., 2003). Bottom-up and flatter organisational structures may serve as incentives to disperse frontline acquired knowledge within the firm. For instance, as outlined by Petersen et al., (2003) Bartlett and Goshal (2002) suggested that organisational forms should enable such dissemination in their

‘integrated network’. These type of incentives are critical in the increasing loose coupled multinational companies, as being witnessed in internationalisation process research where the term Multinational Business Enterprise captures this shift from structure of production to a perspective that stresses that firm are” developing value-creating business networks in and between foreign countries both inside and outside the boundaries of the firm” (Vahlne and Johanson, 2013:194).

Extant empirical research has shown that the internationalisation decision in terms of the breadth and depth of internationalisation decisions and processes affects larger firms’ ability to absorb new experiential knowledge. This exposure enables them to be able to develop capabilities and routines to integrate new knowledge as novel explanations of how the type of accumulated experiential knowledge affects the speed of learning and ability to internationalise in traditional MBEs (Casillas and Moreno-Menendez, 2014:86). Recent research by Barkema and Drogendijk (2007:1133) on the emergence of international new ventures stresses that “planned variation and search is characterised by a greater departure from the company’s knowledge base” (Gavetti and Levinthal, 2000), and implies more risk of current expansions, but also more learning to increase the performance of future expansions (March, 1991). Prashantham and Young (2011) highlight how nurturing a greater absorptive capacity enables new firms to accelerate their speed of learning post-entry and therefore it may not just enable them to enter new markets as events, but as a process to penetrate new markets successfully over time. Whilst these insights into the different impacts of pre-existing knowledge on firms’ speed of internationalisation have been accepted, it is important to point out that internationalisation process research has focused on analysing the absorptive capacity at the level of firms, even though their ability to value and assimilate tacit experiential knowledge is affected by the ‘persons’ - individual managers; knowledge stocks within the firm enable them to interpret and assimilate information and knowledge into the firm’s extant knowledge base (Coviello et al., 2017). Accordingly, there is a need to unpack how and why the extant knowledge base of individuals within the firm and the interpersonal differences in terms of past experiences, knowledge and interpretations within firms affect their absorptive capacity of potentially useful experience-based knowledge sources from a culturally distant context.

Despite the theoretical acknowledgment that individual managers function as sources of tacit knowledge being pivotal for the knowledge development process to lead to the

attainment of a competitive advantage and to internationalise, there is insufficient qualitative research that has examined how the process of grafting - acquiring experiential knowledge through the hiring of experienced managers - affects the organisational learning process when firms seek to penetrate existing markets further; there is not enough research to unpack how and why grafting may allow firms to accelerate the internationalisation process post-entry. Nonetheless, the International business literature has recognised hiring individuals as an alternative experiential knowledge source for the internationalisation process (Loane et al., 2014; Loane et al., 2007; De Clercq et al., 2012; Eden, 2009; Åkerman, 2015; Huber, 1991; Forsgren, 2002). As pointed out for knowledge-based research in general by Felin and Hesterly (2007) and more specifically by Coviello et al. (2017) for the updated internationalisation process: individuals are at the heart of any decision or action that is taken at firm level and therefore represent a critical lower-level explanatory factor which can help to refine understanding of the dynamics and interactions on the micro level that will have a causal effect at the firm's macro level, i.e the level of the internationalisation process. Therefore, unpacking the concept of absorptive capacity on an interpersonal level is in particular valuable to refine theoretical understanding of how pre-existing experiential knowledge may be absorbed on an interpersonal level, which in turn allows the author to refine and explain how and why pre-existing individual knowledge may be used in the organisational learning process (De Clercq et al., 2012).

2.3 Learning Processes in the Internationalisation Process Model

2.3.1 The 1977 Uppsala Internationalisation Process Model

The internationalisation process of firms has generated a phenomenal amount of research into how and why firms are able to internationalise into foreign markets (De Clercq et al., 2012; Buckley et al., 2017). The Uppsala internationalisation process model introduced by Johanson and Vahlne (1977) has become the dominant theoretical model to in the international business literature to explain how and why firms expand over time (Welch et al. 2016).

The Uppsala internationalisation model is founded upon Cyert and March's (1963) behavioural theory of the firm, which stresses the importance of learning and knowledge-

accumulation through 'learning by doing' (Blomstermo et al. 2004). The model breaks away from the neoclassical assumptions of perfect information and decision-making, conceived as rational calculations to suggest instead that managers within a company have to make decisions based on limited and often misleading information, which can result in uncertainty and ambiguity (Welch et al., 2016). Accordingly, the process model stresses the importance of learning processes and behaviours to overcome the uncertainty and associated risks in such decisions (Liesch et al., 2011; Welch et al., 2016). More specifically, firms need to acquire experiential knowledge by expanding their operations abroad to incrementally acquire market-specific knowledge. Although the model does not explicitly explore managers' role in the learning process, managers who are in charge of the expansion are seen as the agents for learning from their own direct experience of operating in the context i.e. 'learning by doing'; and learning is in particular triggered by deficient performance or experience of problems that arise due to a lack of experiential (market-specific) knowledge (Petersen et al., 2008; Fletcher and Harris, 2011). Additionally, March (1999) proposed that "when gaps or problems are recognized, the recognition process defines the scope, limits and boundaries of the gap": this illustrates that the experience of learning and recognising problems through 'learning by doing' is most critical for firms to define the scope of their knowledge gap and what knowledge they need to learn to subsequently close the gap; (March, 1999, cited in Petersen et al., 2008:1098; Welch et al., 2016; Vahlne and Johanson, 2017; Blomstermo et al., 2004).

In this view, the direct experiential learning process of the firm is the most important underlying mechanism, based on the assumption that the decision-makers are faced with uncertainty and partial ignorance - "they do not know what they do not know" - leaving them needing to overcome the uncertainty based on their lack of knowledge through experiential 'learning by doing', to update their extant knowledge base in light of external developments (Ansoff, 1965, cited in Vahlne and Johanson, 2017:1091). The acquisition of experiential market-specific knowledge tends to reduce the perceived uncertainty of the decision-makers to a "tolerable" level to enable them to be willing to commit to new markets as well as to identify expansion opportunities in new contexts (Petersen et al., 2003:9; Johanson and Vahlne, 2006; 2009). Thereby the incremental expansion into foreign markets and respective direct firm-level experiences and knowledge-accumulation allows decision-makers to feel confident to increase resource commitments along the establishment's chain of entry modes

over time (Sapienza et al., 2006; Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Chetty et al., 2006). Hence, the model places great emphasis on the importance of directly acquiring experiential knowledge in the foreign markets to explain internationalising firms' behaviour.

This change mechanism of the dynamic interplay between learning and commitment has been conceived to be located at the organisational level, which has been at the core of internationalisation process research (Welch et al., 2016). This change mechanism illustrates how direct experiential learning about opportunities and risks in foreign markets influences managerial decisions to internationalise to new markets over time (Welch et al., 2016). Therefore the "knowledge gap about foreign markets and foreign operations has been assumed to be the most important obstacle to the development of international operations" (Johanson and Vahlne, 1977:23, cited in Welch et al., 2016:785). Nonetheless, the change mechanism is based on the assumption that direct 'learning by doing' at the firm level is the most critical source of experiential knowledge in order to learn how to interpret information and knowledge in uncertain conditions, to be able to reduce the perceived risks, and more importantly, as stressed recently, to identify expansion opportunities. However, it is the individual decision-makers' own personal knowledge and horizon that affects their ability to learn and understand how to operate in foreign markets, making the internationalisation process an entrepreneurial process (Johanson and Vahlne, 1977; 2006; 2009; Liesch et al., 2011; Schweizer et al., 2010; Eriksson et al., 2000). Managerial discretion may therefore affect the internationalisation pattern and speed. The Uppsala model acknowledges that managerial discretion can be important, e.g to account for higher risk-taking, but suggests that it is of marginal importance, as the history-dependent learning and internationalisation process influences the evolution of firms' internationalisation process (Welch et al., 2016; Johanson and Vahlne, 2009).

2.3.2 Liability of Foreignness and Psychic Distance

It has been argued that the direct experiential learning process is critical to understanding of the internationalisation process of larger MBEs (Johanson and Vahlne, 2009; Hutzschenreuter and Matt, 2017). This is based on arguably the most important assumption of the model, namely that there is a knowledge gap between the knowledge the firms possesses and the knowledge that is required to address the unfamiliar market context,

which represents a significant obstacle to the development of international operations (Welch et al., 2016; Hutzschenreuter and Matt, 2017; Blomstermo et al., 2004). According to the literature, the knowledge gap is referred to as the 'liability of foreignness' in the context of market entry and internationalisation processes, a term introduced by Hymer (1976), expressing the need to acquire complementary knowledge about markets, regulations and norms as well as cultural attributes of the host context (Calhoun 2002). The idea that the knowledge gap creates additional costs of doing business abroad has become widely accepted in international business research, which suggests that MBEs face with a disadvantage *vis a vis* domestic competitors who are more fully embedded in the local insitutional context and thereby enjoy better access to relevant market information to recognise market expansion opporunities and 'how to play the game' (Zaheer, 1995; Petersen et al., 2008; Zaheer, 1995; Denk et al., 2012).

Whilst explicit rules and customs may be easy to identify and learn about, deeper cultural differences in terms of 'how to play the game' tend to be implicit and therefore hard to learn about (Zaheer, 1995; Petersen et al., 2008). As Casson (1979) had pointed out, the liabilities of foreignness can go beyond explicit rules and observable differences, since the knowledge gap that impairs the gradual internationalisation process "goes deeper than just a lack of factual information, it involves a lack of cultural understanding" (cited in Calhoun, 2002:307). The international business literature has generally accepted the claim that these unknown cultural factors are more important to be addressed in order for firms to internationalise successfully. Because know-how is implicit, tacit, it has to be acquired via an experiential learning process in the respective market, which is time-consuming and poses an extra (learning) cost which dictates an incremental pace of progress (Johanson and Vahlne, 1977). Liability of foreignness can be "defined as the additional tacit and social costs that foreign firms face when entering a particular hostmarket - costs that are not incurred by well-embedded indigenous companies" (Eden and Miller, 2004; Zaheer, 1995; 2002, cited in Denk et al., 2012: 323) or a function of the social and cultural barriers" (Zaher and Mosakowski, 1997: 444). Hence, 'learning by doing' and gradual refinement of the extant knowledge base in the host market conditions, to reduce expansion risks and to simultaneously be able to recognise expansion opportunities are at the very heart of the Uppsala model (Barkema and Drogendijk, 2007; Eriksson et al., 1997; Fletcher and Harris, 2012; Eriksson et al., 2000; Johanson and Vahlne, 2009).

So, as has been outlined, the Uppsala model's idea that firms need to acquire market-specific knowledge by committing into the particular foreign context has been revised to suggest that managers may be able to acquire general experience-based knowledge in previously encountered, similar cultural contexts (Petersen et al., 2008). This knowledge, as explained above, is referred to as 'country neutral' 'internationalisation knowledge', which allows managers to be able to acquire market-specific knowledge faster and therefore diminish knowledge gaps to the level of culturally close markets (Prashantham and Young, 2011; Barkema and Dorgendijk, 2007).

Nonetheless, the ignorance of these tacit cultural differences may be the most plausible explanation for the lower performance of foreign subsidiaries compared to native firms when the home and host country are assumed to be very similar in terms of the psychic distance, referred to as the 'psychic distance paradox' - introduced by O'Grady and Lane (1996) (Calhoun, 2002). Therefore, although extant research has suggested that a great psychic distance is adversely linked to export performance, the perceived distance may be more important than the actual distance, revealing the importance of the insiders' views and perceptions to understand how and why internationalisation patterns and performance may change over time.

2.3.3 Liability of Outsidership

The internationalisation process literature has recognised the importance of the direct experiential learning process and experiential market knowledge in pursuit of internationalising, yet it seems there is increasing emphasis on indirect learning opportunities within the internal and external networks of the MBE (Johanson and Vahlne, 2003; 2009; Vahlne and Johanson, 2013; Forsgren, 2016). In the revised model the authors outline knowledge development processes within the internal and external environment which operate alongside the direct experiential learning process from the own operations (Johanson and Vahlne, 2009; Hutzschenreuter and Matt, 2017). In line, the revised version includes the option of indirect learning from the external network, i.e. liability of outsidership rather than liability of foreignness, meaning that according to the international business literature it is not the lack of knowledge per se that is the source of uncertainty, but lack of embeddedness in the relevant business network, restricting access to relevant market knowledge (Johanson and Vahlne, 2009). The liability of outsidership points out lack of

knowledge as a major hurdle to international expansion, which is equivalent to the knowledge gap caused by liability of foreignness, except that emphasis is placed on being able to obtain knowledge from internal and external networks.

Nevertheless, it is argued that challenges and opportunities to internationalise remain the same, except that it is not country specificity that matters, but network specificity. This means that firms need to learn who the major actors are in the market during a new entry, unless the firm already benefits from a relationship with one such (Forsgren, 2016). Therefore, in essence the firm can be subject to both the liability of foreignness (lack of knowledge) and the liability of outsidership (lack of access to relationships to access knowledge) which may have different impacts on their internationalisation process (Forsgren, 2016). It is worthwhile pointing out that although the type of hurdle, essentially lack of knowledge, has remained the same, based on the liability of foreignness and liability of outsidership, the psychic distance and liability of foreignness may impact firms' ability to deepen their relationships and become insiders in their host network (Johanson and Vahlne, 2009). Therefore, although there are external knowledge sources available to the firm these do not automatically grant them access to the relevant knowledge (Denk et al., 2012; Johanson and Vahlne, 2009; Forsgren, 2016). (For a comprehensive overview of how the network serves as a knowledge base for relevant business information and learning opportunities see Johanson and Vahlne (2009) and Forsgren (2016)).

2.3.4 The Revised Uppsala Internationalisation Process Model

The revised Uppsala internationalisation model (Johanson and Vahlne, 2009; Vahlne and Johanson, 2017) seeks to provide a more nuanced view on how other processes of knowledge acquisitions affect the internationalisation process (Welch et al., 2016). Petersen et al. (2003), Forsgren (2002; 2016) and Brennan and Garvey (2007) outline that the role of knowledge is far more complex than was suggested by the original 1977 Uppsala model and how this can explain the more rapid internationalisation processes of manufacturing firms that were observed in 1977. It is not considered a tentative general process model, that is, one that needs to be refined by applying it to empirical settings and abductively refining the theoretical understanding based on discoveries that allow us to question the assumptions in the current Uppsala model (Welch et al., 2016; Vahlne and Johanson, 2017)

Whilst recognising the importance of 'learning by doing' in experiential knowledge acquisitions as the chief form of learning, the 'learning by doing' process has been suggested to be supplemented by indirect learning which is derived from the knowledge-based view of the firm and organisational learning in general (Forsgren, 2015, cited in Welch et al., 2016; Johanson and Vahlne, 2009; Kogut, 2000). The MBE is seen as a differentiated network of units that do not share their Headquarters' goals and understanding of the business context (Johanson and Vahlne, 2009). This has been used to argue that an MBE faces the same knowledge-sharing challenges and opportunities externally and as it does internally, since knowledge developed internally or externally in the networks also tends to be tacit and therefore hard to imitate (Penrose, 1959; Kogut and Zander, 1993; Vahlne and Johanson, 2017:1091).

The revised internationalisation process model (Johanson and Vahlne, 2009; Vahlne and Johanson, 2017) has imported the assumption of the knowledge-based view of the firm and of learning in organisations in general, that general experiential knowledge can be transferred within the firm (Hutzschenreuter and Matt, 2017; Argote and Miron-Spektor, 2011; Kogut and Zander, 1993). Accordingly, the MBE can acquire experiential knowledge not just directly via an experiential learning process in the host context, but can also indirectly learn from the experiences of others (Forsgren, 2002; Blomstermo et al., 2004; Johanson and Vahlne, 2009; Bingham and Davis, 2012). The literature has suggested that there are a variety of internal and external sources. The most prominent ones are: 1) imitation of competitors; 2) making use of network partners' knowledge base via vicarious learning; 3) grafting firms and individuals, rather than being solely reliant on the direct experiential-learning process, as suggested in 1977 (Loane et al., 2007; Johanson and Vahlne, 2009; Huber, 1991; Forsgren, 2002; Fletcher and Harris, 2011; Welch et al., 2016). Accordingly, the internationalising firm is suggested to have the potential to acquire objective and, more importantly, general experiential knowledge e.g foreign entry modes (Sapienza et al., 2006) indirectly from others from a variety of sources (Bingham and Davis, 2012; Huber, 1991; Åkerman, 2015; Hutzschenreuter and Matt, 2017; Forsgren, 2002; Park and Harris, 2014; Fletcher and Harris, 2011; Johanson and Vahlne, 2009:1416). Therefore, the knowledge development process has been suggested to be either inter- or intra-organisational. Along with the shift in emphasis to other knowledge sources the focus has shifted away from acquiring tacit market-specific knowledge via experiential learning (which is considered non-transferable to other markets

contexts), to instead acquire and transfer general internationalisation knowledge, which is considered transferrable within the firm (Forsgren, 2015:9, cited in Welch et al., 2016:787). The review will focus on the extant theoretical understanding of how and why individual grafted experiential knowledge may enable larger firms to quickly close their knowledge gap. (For a comprehensive overview of how network-based learning processes affect the speed of internationalisation processes see Loane and Bell, 2006; Johanson and Vahlne, 2009).

2.3.5 The Indirect Learning Process of Grafting

Research has suggested that grafting experiential knowledge via hiring individual managers with relevant experiences represents an important indirect source for acquiring experiential market-specific knowledge and general internationalisation knowledge in an expedited manner (Huber, 1991; Forsgren, 2002; Fletcher and Harris, 2011). Most influentially, Forsgren (2002:263) has drawn on insights of Huber (1991) into organisational learning to detail how indirect experience can be acquired by hiring people or acquiring business units: the “slow process of learning from one’s one experience can, at least partly, be avoided”. This has been found to be particularly successful if firms focus on integrating personnel and their experience-based knowledge (Barkema and Vermeulen, 1998; Fletcher and Harris, 2011).

However, if internationalisation is to be accelerated the key decision-making senior managers must be able to make fast strategic decisions. This requires indirectly acquired knowledge to be acquired and integrated quickly into the extant knowledge base (Autio et al., 2000; Sapienza et al., 2006). In other words, the speed of learning is argued to drive the speed of the internationalisation process; because younger firms said to possess less rigid routines and structures, as explained above, they are better able to learn from different contexts than larger MBEs (Autio et al., 2000; Sapienza et al., 2006; De Clercq et al., 2012). In this view the speed of learning, in turn, depends on how individuals and firms share their knowledge, based on the content of learning and the absorptive capacity (Prashantham and Young, 2011). Unlike technological and market knowledge, frequent interactions are required between the senders and recipients of internationalisation knowledge, between the grafted and the senior managers (Fletcher and Harris, 2011).

Despite its insights into potential challenges to knowledge absorption at the managerial level, both the earlier and revised internationalisation process models seek primarily to explain the

behaviour of the individual firm. Accordingly, they prioritise the learning and knowledge accumulation process at the firm level. Meaning the model has largely black boxed the “‘mille-micro’ level of the individuals and thus does not deal explicitly with the individual decision-maker” (Vahlne and Johanson, 2017:1089; Johanson and Vahlne, 1977:26, cited in Welch et al., 2016). Despite the fact that the Uppsala internationalisation process model explicitly excludes individual managers from its explanatory scope, entrepreneurial (Coviello et al., 2017) and wider knowledge-based research (Felin and Hesterly, 2007) has pointed out that exploring the role of individuals is fertile and necessary to refine theoretical understanding of the underlying learning process that drives internationalisation (Roger et al., 2010; Johanson and Vahlne, 2006; Coviello et al., 2017). As pointed out by Coviello (2015) (cited in Coviello et al., 2017:1155) any decision or action at the firm level is derived from those people who are within the organisation; therefore analysing the impact of those individuals within the firm can refine understanding of theoretical constructs, e.g. absorptive capacity underlying the internationalisation process model, which has been welcomed by Johanson and Vahlne (e.g. Roger et al., 2010). This should continuously refine the model between theoretical understandings and empirical cases to sharpen its ability to provide ‘cognitive maps’ based on analytical generalisations (Welch et al., 2016).

In spite of its explicit explanatory boundaries, the revised Uppsala model (Vahlne and Johanson, 2017) black boxes the individual and interpersonal level, preventing it from refining theoretical understanding of the learning processes - i.e. how and why individual decision-makers interpret, learn and absorb new knowledge in order to be able to act upon in it. As pointed out by Welch et al. (2016), the Uppsala internationalisation process model is after all based on Cyert and March’s (1963) behavioural theory of the firm and Penrose’s theory of the growth of the firm, which both question neoclassical economic assumptions. As pointed out at the beginning, the Uppsala model explicitly factors in bounded rationality, uncertainty avoidance and problematic search and organisational learning, reflecting the assumption that organisations make decisions based on imperfect knowledge in conditions of uncertainty. As such the theoretical foundations were process-orientated, seeking to understand the sharing and accumulation of knowledge i.e learning processes that can explain the evolution of firms based on their experiences and knowledge-accumulation over time. The Uppsala model, therefore, has been concerned with understanding the process by which firms acquire and accumulate resources i.e. knowledge gain via experiences (Penrose,

1959), affecting their decision processes over time (Vahlne and Johanson, 2017). Nonetheless, the internationalisation process research offers very few insights into how and why experiential knowledge can be transferred at the individual level in order to provide a processual account of how and why the indirect learning processes of grafting knowledge from a culturally distant context may enable larger firms to close their knowledge gap efficiently (Welch et al., 2016; Johanson and Vahlne, 2009).

Knowledge acquisition via grafting seems to offer a rich opportunity to generate a theoretical understanding of how and why tacit knowledge may be acquired by hiring knowledgeable individuals to efficiently acquire new experiential knowledge to overcome the liability of foreignness. Although there is a possibility that this knowledge might not be available or even exist (Johanson and Vahlne, 1977), it has become increasingly recognised that recruiting internationally experienced managers provides an alternative expedited means to acquire experiential market knowledge (Oviatt and McDougall, 1995; Fletcher and Harris, 2011; Loane and Bell, 2006; Loane et al., 2014). Given the increasing rapid internationalisation and globalisation of firms, the grafting allows to them to partly avoid the “slow process of learning from one’s own experience” and as a concept it offers insight into the more relevant alternative strategies for expedited knowledge acquisition, including to what extent these allow the acquisition and transfer of valuable experiential knowledge (Forsgren, 2002:263). Whilst the earlier internationalisation process (Johanson and Vahlne, 1977) assumes that the internationalising behaviour of a firm is primarily determined by the direct experiential learning process to acquire tacit market knowledge, the notion that experiential knowledge can only be acquired via direct experiential learning from the ongoing operations (Forsgren, 2002) has been increasingly challenged. As suggested by Forsgren (2002:263): “if we consider grafting Huber (1991) as an alternative way to acquire market knowledge it becomes obvious that the internationalisation process can be shaped differently”, but the integration of different knowledge sources may still need to bear challenges in order to benefit from it. Yet, empirical evidence on the use of alternative knowledge sources outwith internal experiential learning process is rare (De Clercq et al., 2012; Åkerman, 2015). Previous research has nonetheless suggested that the internationalisation behaviours of firms are driven by a combination of direct experiential learning and indirect learning opportunities such as incorporating units with the relevant experiential knowledge (Forsgren, 2002).

In the revised internationalisation process model, Johanson and Vahlne (2009) Vahlne and Johanson (2017) argue firms' extant internationalisation knowledge affects their ability to learn in order internationalise. They go on to say that, for larger MBEs, even when changing the parameters to individual managers instead of those pertaining to the firm level, those individual managers' previously acquired knowledge of foreign markets and internationalisation may not have a significant impact on their internationalisation processes. Accordingly, the experiential learning process of the firm via "repeated practice" is seen as central to consolidate new knowledge in the minds of individuals and the firms' routines and structures (Martin and Eisenhardt, 2000:1114; Eriksson et al., 1997; Vahlne and Johanson, 2017); and the experiential learning processes of firms are therefore conceived as central to explain their empirical internationalisation processes (Johanson and Vahlne, 2009:1471). Yet the authors concede the possibility that previously-acquired individual knowledge and experience may accelerate the internationalisation process if "sufficient" time for reflection and learning is given (Eriksson et al., 2000; Johanson and Vahlne, 2009:1421; Petersen et al., 2003). There is, though, insufficient empirical evidence of how grafting may enable firms to accelerate their learning process to overcome their knowledge gap, and to explain how and why firms may internationalise faster into culturally distant contexts (De Clercq et al., 2012; Coviello et al., 2017).

Despite the insights into the indirect learning process, research has not explained how and why the different indirect learning process affects the overall process in conjunction with the direct experience, in a way that would explain how the learning processes may get used collectively in sequence to create a more refined understanding of how and why firms acquire complementary knowledge during the direct experiential learning process (Bingham and Davis, 2012).

One underlying reason for the lack of evidence on how grafting may enable firms learning and internationalisation are the contrasting assumptions in the knowledge-based view of the firm: whether knowledge is situated within the individuals or the organisations. Clarity is lacking to the extent that it is not clear where the borderline between individual and organisational knowledge can be drawn e.g. Hecker (2012) and Alvesson and Kaerremann (2001:999), who point out that it is not clear if there is such a thing as collective knowledge in the organisational learning literature, and that it is neither conceptually clear to what extent collective knowledge exists, nor how the individual can transfer it to the organisation.

According to various authors it is ultimately the individuals who create, possess and use knowledge (e.g. Foss, 2007; Grant, 1996; Polanyi, 1962; Simon, 1991), and as a result it is not quite clear what it means for knowledge to be collective (or organisational) (Hecker 2012). There is an implicit debate about whether it is more appropriate to analyse individual or firm level constructs to understand how and why knowledge-sharing and learning affects firms' internationalisation processes (Felin and Foss, 2005; Felin and Hesterly, 2007). As a result of the insights drawn from knowledge-based literature there is an insularity among these two views, leaving important questions about grafting unanswered: neither evidence of how the indirect learning process of grafting experiential knowledge, nor how the potential difficulties of integrating grafted knowledge into the extant knowledge base can impact firms' ability to address their knowledge gap efficiently, are sufficiently explored at the individual level for the adequate refinement of theoretical understanding of whether grafting can accelerate the internationalisation processes of larger MBEs (Coviello et al., 2017; Åkerman, 2015; Forsgren, 2002; Chapman et al., 2004).

The underlying reason for the insularity and unanswered questions in internationalisation research seems to be its multidisciplinary theoretical roots. These seem to create inconsistent theoretical explanations of how and why the acquisition and transfer of knowledge affects the internationalisation process over time (Cheng et al., 2009). As explained in section 2.2, the Uppsala internationalisation process researchers argue that the constructs that affect firms' behaviour are collective (firm)-level constructs, since the individual-level variations are suggested to be aggregated at firm level. To reach this view they draw on a number of sub-areas within the area of organisational learning, e.g. evolution theory and the absorptive capacity concept in learning (Nelson and Winter, 1982; Eisenhardt and Martin, 2000, cited in Felin and Hesterly, 2007:195). According to this view, the firm level is the appropriate unit of analysis to explore and explain firms' ability to learn, which is in contrast to international new venture researchers (Coviello et al., 2017; Barkema and Vermeulen, 1998), who suggest that individual knowledge can affect firms' internationalisation behaviour, and therefore the interactions at the level of individuals should be examined to refine understanding of the firm-level constructs, such as absorptive capacity (Felin and Hesterly, 2007; Foss et al., 2010). This implicit debate has resulted in academic insularity without a resolution as to whether knowledge is situated within the individual or at firm level (see Felin and Foss, 2005; Felin and Hesterly, 2007). This

discrepancy has impeded theoretical understanding of how and why MBEs' ability to source and absorb knowledge from individuals affects the underlying learning processes that drive their internationalisation process over time.

2.3.6 Internationalisation Knowledge, Absorptive Capacity and Speed of Internationalisation

The Uppsala Internationalisation process research has explicitly prioritised firm-level constructs, and suggested that firms also acquire 'country neutral' internationalisation knowledge besides market-specific experiential knowledge through their expansions over time, which facilitate their acquisition of knowledge to enter new markets in an expedited manner. The internationalisation knowledge has been suggested to contain institutional market knowledge, which is related to psychic distance and business knowledge. This refers to the relationships-specific knowledge about the current business the firm is seeking to interact with or is doing business, with and the type of relationship between the firms (Johanson and Vahlne, 2009). Yet this knowledge is argued to be derived from the tacit experiences of firms and therefore has to be codified into objective general knowledge over time (Eriksson et al., 2000; Prashantham and Young, 2011; Fletcher et al., 2013).

Whilst internationalisation knowledge has been long recognised as valuable in the internationalisation process research (Welch and Luostarinen, 1988; Fletcher et al., 2013), firms have to convert tacit internationalisation experiences into objective knowledge in order to effectively transfer their knowledge in the MBE (Fletcher et al., 2013). The internationalisation process literature draws on the knowledge-transfer process research to infer that even tacit knowledge is transferable, and therefore valuable internationalisation knowledge can be codified and is assumed to be transferrable within the MBE network (Hutzschenreuter and Matt, 2017). Internationalisation knowledge gained over time can be used as stepping stone to enter new markets (Petersen et al., 2008; Eriksson et al., 1997; Hutzschenreuter and Matt, 2017).

However, whilst internationalisation knowledge offers the firms practices - i.e. "procedures and routines of how to learn in local markets" (Blomstermo et al., 2004:358) - the key obstacle to internationalisation remains the same: the knowledge gap. Firms need to acquire market-specific knowledge in order to be able to interpret information and knowledge

according to cultural conditions in the new market context. Experiential market knowledge is a component of internationalisation knowledge with the nuanced difference that market internationalisation knowledge refers to the “cross-cultural knowledge” as opposed to just market-specific knowledge. Cross-cultural knowledge is composed of understanding the cultural differences: ethical values, language, negotiation styles, decision-making styles, and other organisational features across different contexts; it is knowledge that allows firms to grasp differences in countries, institutions and firms across different international contexts (Chetty et al., 2006; Cavusgil, 1998; Fletcher et al., 2013).

Over time firms’ demands for internationalisation knowledge are shifting from market-entry knowledge at the early stages to knowledge about localisations and international enterprise, to address different needs of how to enter foreign markets, to ultimately manage the structural and management challenges involved (Fletcher et al., 2013). In sum, specifically, internationalisation knowledge, as a type of experiential knowledge, has been suggested to contain market-entry internationalisation knowledge, localisation knowledge, and international enterprise knowledge. (For a comprehensive overview see Fletcher et al., (2013)). These different types of internationalisation knowledge are said to be acquired via direct experiences alongside the expansion processes, allowing firms to acquire general internationalisation knowledge by generalising from their expansion experiences and indirect sources such grafting (Eriksson et al., 1997; Fletcher et al., 2013).

The important point being made is that internationalisation knowledge contains know-how of how to learn market-specific knowledge about cultural differences and most importantly to recognise cultural differences in the host context compared to the home context. Arguably firms can acquire internationalisation knowledge via grafting, to learn faster how to address the local market conditions, yet the internationalisation knowledge needs to be integrated with the extant firm’s knowledge base and new routines and structures to be employed effectively (Fletcher et al., 2013). This internationalisation knowledge has been argued to be particularly relevant for firms to maintain stability and profitability of international operations after having internationalised into MBEs (Fletcher et al., 2013). Therefore, despite the potential ability to benefit from new internationalisation knowledge, in order to do so, new general experience-based knowledge needs to be integrated into the extant knowledge base and experiential learning through repeated practice is at the heart of the

internationalisation knowledge development process in the internationalisation process model (Vahlne and Johanson, 2017).

In spite of the recent emphasis on the ability to indirectly acquire and absorb general experiential knowledge to accelerate the learning and internationalisation process, Johanson and Vahlne (1990; 2009) and Vahlne and Johanson (2017) draw on the concept of absorptive capacity, suggesting that learning - i.e. acquisition of new knowledge - to be employed effectively, needs consolidated into the minds of the individuals and the firms' extant (internationalisation) knowledge, that is embedded in their routines and structures; and therefore internationalisation into distant contexts may not be done quickly. The organisational learning process is seen as an open-ended process in which firms are continuously "in a state of becoming" (Langely et al., 2013:5), and it cannot be known what the outcome of a process will be (Vahlne and Johanson, 2017). Accordingly, firms' ability to absorb new experiential knowledge is restrained by their earlier internationalisation experiences, in which managers have fostered general experiential (internationalisation) knowledge, and implicit assumptions and beliefs, through reflection of the own experiences and those of competitors, as well as the enacted view of the relationships between the firm and the actors in the market (Weick, 1969); and this "world view" would be embedded in the firms' routines and future absorptive capacity (Weick, 1969, cited in Eriksson et al., 2000:309; Nelson and Winter, 1982) as a framework to learn and identify expansion opportunities (Brennan and Garvey, 2009; Johanson and Vahlne, 2006). In the other words, the internationalisation knowledge forms the assumptions, beliefs and future absorptive capacity of what firms learn, where and what information is sought which is contingent upon the extant knowledge stock (Vahlne and Johanson, 2013; Eriksson et al., 2000:311).

Based on the preceding arguments, Johanson and Vahlne (1990) suggest that the experiential learning process of 'learning by doing' how to interpret information from inside the firm and from outside the market is difficult to substitute personnel and advice from outside, to diminish the decision-makers' reluctance to commit to the foreign market (Petersen et al., 2008). In other words, the extant experiential (internationalisation) knowledge base acts as the future absorptive capacity, determining managers' ability to assimilate, evaluate and interpret new knowledge; and hence, the early internationalisation process and knowledge acquired in the process shape firms' subsequent internationalisation processes; therefore the experiential learning process of larger firms is considered a cumulative process that

unfolds over time (Eriksson et al., 2000:311; Johanson and Vahlne, 2006; Vahlne and Johanson, 2017).

Based on this argument, experiences that occur too quickly may overwhelm managers, resulting in their inability to transform the experience into meaningful learning (Eisenhardt and Martin, 2000). Hence, according to the Uppsala logic there are different means to acquire experiential knowledge before starting to internationalise into the market, which may enable the process to be accelerated, but the experiential learning process of repeated practices of organisations and individuals is seen as the chief form of learning, which affects future absorptive capacity and may limit the firm's ability to absorb previously acquired individual knowledge to accelerate the learning and commitment process (Johanson and Vahlne, 2009; Vahlne and Johanson, 2017:1095). As a consequence, according to the Uppsala logic, a firm's ability to acquire new experiential market-specific and internationalisation knowledge is conceived as a 'history-dependent' cumulative process that unfolds over time; internationalisation of larger firms into culturally distant markets may not therefore be carried out quickly (Johanson and Vahlne, 2009; Vahlne and Johanson, 2013; 2017; Cohen and Levinthal, 1990; Eriksson et al., 1997; 2000). Yet, as outlined above the Uppsala model has largely black boxed the 'mille-micro' level of the individuals and therefore has not theorised how the previously acquired individual knowledge may be absorbed into the extant internationalisation knowledge, in order to explain how and why grafting may allow firms to close their knowledge gap.

2.3.7 Paradox of Information Availability and Perceived Psychic Distance

Recent internationalisation research seems to suggest that market-specific knowledge is not as difficult to obtain, based on increasing access to information and low costs in obtaining it in the digital world. It has been argued that this can explain the shortening of the timeframe from a firm's inception to its first internationalisation (Coviello, 2015). However, empirical research has suggested that easy access to market information may not guarantee a successful internationalisation process, and in fact the illusion of understanding the market may lead to its failure (Nummela et al., 2016, cited in Welch et al., 2016:790). Welch et al. (2016:790) referred to this as the "paradox of information availability", meaning that the ease of accessing information in the digital world may create the impression that specialised information is being neglected. In fact, information is not knowledge and although there

might be a rich availability of information to the decision-makers it needs to be interpreted, learnt, absorbed and acted upon. In other words, managers need to possess prior knowledge and work experience about the specific market to be able to interpret knowledge and linkages if they are to be capable of absorbing and using them to reduce their psychic distance. Smaller new international ventures and 'born global' are argued to possess a high level of internationalisation knowledge (based on their managers and founders' previous working experiences) which reduces mental barriers and decision-making structures, enabling the firms to absorb new knowledge about internationalisation quicker. The extant stock of internationalisation knowledge is therefore a key difference distinguishing the international new ventures' 'born global' internationalisation pattern from the traditional Uppsala internationalisation process pattern (Brennan and Garvey, 2009). Hence, firms may select markets based on extant internationalisation knowledge and their implicit perceived psychic distance.

In sum, the internationalisation process research has accepted the theoretical insights from the broader management research that there are other loci and means to acquire experiential knowledge in order to overcome the knowledge gap that is considered in the Uppsala internationalisation process model to be the most important obstacle to successful internationalisation. Yet it seems the theoretical understanding of how and why the indirect learning process may enable firms to acquire, assimilate and integrate potentially valuable experiential knowledge to overcome their knowledge gap has not been explored at the level of the individual, to refine understanding of how and why experiential knowledge can be acquired and integrated within the extant internationalisation knowledge.

2.4 Understanding Cultural Differences in Internationalisation Processes

2.4.1 International Business Concepts of Cultural Distances

Culture as the "programming of the mind" (Hofstede, 1980) remains an important factor in analysing the strategies of multinational business enterprises (Kirkman et al., (2017:13; Buckley and Ghauri, 2004). Culture is manifest in a country's rules, regulations and institutions which shape organisational structures, and in the learning processes of companies to cope with these external conditions (Jackson and Deeg, 200; Barkema and

Drogendijk, 2007). The decade award-winning article 'Culture Consequences' crafted by Kirkman et al. (2006) reviewing 35 years of empirical research based on Hofstede's cultural value framework underscores the tremendous importance of understanding culture's impact on the behaviour of individuals, teams and firms. The authors stressed that international business studies ought to examine culture on multiple levels of analysis beyond the country level dominating international business literature (Cantwell and Verbeke, 2017); studies of this level are one of the most enduring subjects of theoretical and empirical research (Mezias et al., 2002; Caprar et al., 2015)

Numerous concepts have emerged in the international business literature to capture how culture and more specifically cultural differences between two contexts affect firms' ability to internationalise. The current research categorises these differences in terms of aggregated concepts such as cross-national cultural values (Hofstede, 1984), values (Schwartz, 1992), or Hofstede and Bond's cultural classifications of countries (cited in Caprar et al., 2015:1013). Over time theoretical concepts such as liabilities of foreignness (Hymer, 1976; Zaheer, 1995), psychic distance (Johanson and Vahlne, 1977), cultural distance (Kogut and Singh, 1988), institutional distance (Xu and Shenkar, 2002), and institutional idiosyncrasies (Heinsz, 2003) emerged as distinct theoretical concepts. In spite of their distinctiveness, generally this research stream asserts that differences between countries' social structures and cultures impede the prospect of a given company operating in the same way it operates in its home context as a barriers that need to be overcome and, therefore, distance, distance constructs by its very definition focus on the difficulties, costs, and risks associated with conducting business across borders seem as a "pejoratives" (Stahl et al., 2016:622; Orr and Scott, 2008; Jackson and Deeg, 2006; Hutzschenreuter et al., 2016a). This literature is vast and the focus will be on the liability of foreignness including the psychic distance, since it has received the most theoretical attention. (For an extensive overview of the literature explaining cultural barriers to the internationalisation process, see Caprar et al. (2015): Management International review).

The liability of foreignness research has illustrated that the liability of country and cultural difference is manifest in readily observable and less observable tacit societal practices and individual variation. Extant research tends to employ the concepts of psychic distance and cultural distance to bypass the complexities of assessing the numerous contextual and cultural differences between markets (Sousa and Bradley, 2006; Eriksson et al., 2000). The

literature on the liability of foreignness is extensive and the focus here is on understanding the core argument of the theoretical concept regarding the internationalisation process. (For a full review see Denk et al. (2012). At the heart of the concept is the argument that the foreign firm is disadvantaged by the knowledge gaps caused by the cultural differences in the external market context and internal firm environment (Stahl et al., 2016; Calhoun, 2002). As explained above in section 2.3.2, accordingly, whilst MBEs can follow easily comprehensible laws and regulations they may not be able to understand important unwritten informal cultural values and norms. MBE foreignness to a new market is considered a liability since it faces them with the associated costs to needing to learn how to correctly interpret information and adapt to local norms and customs, and to embed themselves into local networks i.e liability of outsidership (Hymer, 1960/1976; Luo and Mezias, 2002; Zaheer, 1995; Eden and Miller, 2001; Kostova and Zaheer, 1999; Mezias, 2002; Zaheer and Mosakowski, 1997, cited in Stahl et al., 2016:622). This cultural understanding and know-how is clearly part of the tacit category of knowledge, since it is acquired via experiential learning, and will affect the interpretations of the actors although such perceptual differences are hidden beneath the surface (Puffer, 1994, cited in Calhoun, 2002). Yet, the operationalisation of the liability of foreignness concept as well as its explanatory power has been limited due to being based on factual information as opposed to perceptual information (Stöttinger and Schlegelmilch, 1998; 2000). The literature has associated the barriers and difficulties with business transactions across national borders and the greater the distance between individuals, groups and firms, the greater the associated costs (Stahl et al., 2016). Hence, there is limited theoretical understanding of how insiders' cultural elements and perceptions affect the perception of the psychic distance to understand how and why internationalisation patterns and performance may change over time.

Learning about these tacit differences requires more time, so presents a risk to the internationalising firm (Calhoun, 2002). These differences manifest themselves both at the societal level externally to the firm and at the individual level within the firm. Yet the extant literature has focused on understanding to what extent the cultural distance between the home and host context or on a firm level differs and concluded accordingly that the greater the cultural distance, the higher the associated cost of entering the new market as a "pejorative" (Stahl et al., 2016:622; Jackson and Deeg, 2008). Johanson and Vahlne (1977) had incorporated this insight and suggested that companies would prefer to enter markets

closer to their home market, making them more likely to be able to address the cultural distance over time by progressively following the establishment chain that incrementally increases their commitment (Petersen et al., 2008). Overall, as we have seen, the usefulness of the liability of foreignness concept has been limited due to being based on factual information as opposed to perceptual information (Stöttinger and Schlegelmilch, 1998; 2000). The results of analysing cultural differences at the national level, therefore, have been restricted in terms of their explanatory power about how and why they affect firms' ability to learn and to internationalise - with the exception of the associated lower risk and associated cost of the time-consuming learning process to overcome the differences (Denk et al., 2012).

Extant research tends to employ the concepts of psychic distance and cultural distance interchangeably (Sousa and Bradly, 2006; Eriksson et al., 2000). The concepts however capture two different phenomena, and need to be understood as two different units of analysis. Empirical studies have applied these concepts interchangeably at the national level, e.g. Eriksson et al. (2000), which does not allow understanding of how and why culture affects the behaviour of the individuals within firms (Caprar et al., 2015; Sousa and Bradly, 2006). As pointed out by Mezas et al. (2002), the dominant methodological approaches measure national cultures' distance as a linear distance which summarises differences between two countries, normally the home or host country, in the liability of foreignness literature. As outlined by Sousa and Bradly (2006), psychic distance is based on the individual's perception, whilst cultural distance ought to be analysed at the culture level (depending on which culture, individual, or group or national). This distinction allows appropriate steps to be taken to reduce the managerial perceived psychic distance towards a foreign market, whilst cultural distance captures the cultural distance independently of individual perceptions. Therefore the cultural distance tends to be applied by quantitative studies whilst the psychic distance resonates with qualitative approaches to considering the perception of the distance. This is shown in the psychic distance paradox, in which psychic distance is more important than actual geographical distance, in line with the behavioural assumptions of the internationalisation process model.

The dominant quantitative approaches tend to rely on either indices of previous studies, or on proxies of national culture, by gathering data on the national culture through a survey which relies on proxies to capture the national culture. One important underlying reason for

why these studies' theoretical understanding is lagging seems to be that they derive their quantitative measures from theoretical claims and rely on stated as opposed to revealed culture. Stated culture is merely a "best-guess proxy for latent culture" collected via surveys this is not true behaviour (Caprar et al., 2015:1022). Cross-cultural studies such as Schwartz (1992) Globe and Hofstede 1980) do not represent the real culture, being based on survey rather than in the context of behaviour. These dimensional culture studies primarily rely on previous identified cultural dimensions to measure culture as an aggregate concept in predefined categories; they are related conceptually to and correlated empirically with Hofstede's dimensions, rather than tracing the actual influence of the culture on the behaviour and perception of individuals, and thus the results tend to confirm previous results (Leung et al., 2005; Caprar et al., 2015). Therefore, there is a need to explore how cultural differences translate into complications on a managerial level, and how these cultural differences affect the ability to transfer experiential knowledge across the different cultures within the firm rather than relying on the static picture of the liability of foreignness and psychic distance between nations or home and host contexts (Orr and Scott, 2008; Jackson and Deeg, 2008; Denk et al., 2012; Forsgren, 2002). For instance, people from different cultural backgrounds have different objectives and will perceive different opportunities and threats (Schneider and Meyer, 1991; Barkema and Dorgendijk, 2007).

After all, aggregate concepts such as national culture and liabilities of foreignness omit the fact that not only are firms heterogeneous, but also the individuals within them are not homogenous, and therefore have acquired different knowledge, personal values, attitudes and beliefs, based on the context in which they were brought up (Busch and Richards, 2004; Caprar et al., 2015). Overall, the international business literature tends to treat culture as a sociological as opposed to a psychological concept. It therefore focuses on the firm or group rather than addressing the individual level. However, based on multinationalism in the global workforce, on multi-layered decision-making in multinational business enterprises (Maitland and Sammartino, 2015), there is increasing realisation in research and practice that the focal point of culture is not the group but the individual. It is here focus is required in order to refine the extant theoretical understanding of how and why 'revealed cultural differences' affect the perception and behaviours of individuals and how this affects the learning process within these organisations (Caprar et al., 2015; Michailova and Mustaffa, 2012). Taking the increasing globalisation and multinationalism of the workforce in the MBE into account, as

crucial factors for firms' survival and growth, there is a need to unpack and understand how cultural differences on an individual level can affect the ability to acquire, transfer and absorb experiential knowledge, which may be the most important process to understand in the internationalisation of firms over time.

2.5 Summary

The literature review outlines the broadly accepted theoretical understanding of how and why firms can acquire, create, transfer and absorb knowledge in order to expand abroad and learn how to internationalise into MBEs. Important to outline is that international business research on internationalisation processes is based on a broad and multidisciplinary theories framework and constructs to address the inherent complexity in internationalisation processes, which simultaneously creates the challenge of having to integrate different theoretical perspectives into a coherent theoretical story (Bello and Kostova, 2012; Cheng et al., 2009). In order to do so, this thesis has critically discussed the extant theoretical insights drawn from different academic disciplines to advance theoretical understanding of how and why firms can expand internationally, and has outlined current assumptions and gaps in theoretical understanding of how and why grafting experiential knowledge may enable firms to close their knowledge gap in an expedited manner, to accelerate their internationalisation processes.

This literature review argues that the internationalisation process research has primarily relied on the assumption that the direct experiential learning process of the firm, derived from the behavioural theory of the firm, represents the primary explanatory mechanism for how and why firms internationalise over time (Johanson and Vahlne, 2009; Vahlne and Johanson, 2017). With the increasing rate of globalisation and availability of indirect learning processes, researchers have increasingly challenged this idea that this internal 'learning by doing' process is the only way by which firms can acquire experiential knowledge to address their knowledge gap. Researchers have been drawing on a knowledge-based view of the firm and organisational learning in general, suggesting that firms have different means to acquire knowledge (externally and internally), and in particular that firms can indirectly acquire (general and market-specific) experiential knowledge via vicariously learning from the experiences of others or by grafting such experiential knowledge (Huber, 1991; Forsgren, 2002; Bingham and Davis, 2012; Fletcher and Harris, 2011).

This insight, that experiential knowledge can be transferred at the firm level, was derived from the knowledge-based view of the firm to suggest that firms can indirectly acquire experiential knowledge. Yet, the macro-context in which MBEs operate continues to change (Coviello et al., 2017; Loane and Bell, 2006), and broader trends require the MBE not only to create and transfer production knowledge but also market knowledge and internationalisation knowledge, which is critical for companies in order to address their liabilities of foreignness. In particular, general market knowledge, e.g. business, institutional knowledge and general internationalisation knowledge, are assumed to be non-location-bound and therefore to be transferrable within the MBE (Eriksson et al., 1977; Hutzschenreuter and Matt, 2017:1144).

Despite the revised theoretical understanding of how and why experiential knowledge may be acquired indirectly from external sources (Johanson and Vahlne, 2009), there is an incomplete theoretical understanding of how and why the indirect learning process of grafting may or may not enable firms to acquire experiential market-specific (business and Institutional) and general internationalisation knowledge. The underlying reason is that internationalisation process research has not sufficiently explored the transfer of experiential knowledge at the individual level to theoretically explain how and why grafting experiential knowledge can substitute the direct experiential learning process.

This study illustrates how and why the concept of the absorptive capacity has been employed, in order to understand how and why new (experiential) knowledge is being integrated effectively into firms' extant knowledge base. Internationalisation research has drawn on the concept to explain the history-dependent experiential learning process of larger firms as the explanatory reason for how and why internationalisation from scratch may not be done quickly; it simultaneously challenges it to explain how and why smaller firms may be able to learn more quickly to accelerate their internationalisation (Sapienza et al., 2006; Autio et al., 2000; Casillas and Moreno-Menendez, 2014; Vahlne and Johanson, 2013; De Clercq et al., 2012; Prashantham and Young, 2012). This thesis argues that there is a need to create a dynamic understanding of the concept between the sender and receiver, to unpack how and why cultural differences on an interpersonal level within an MBE affect its ability to effectively transfer and absorb experiential knowledge across cultures, and to refine how and why grafted individual knowledge may affect the organisation's learning process which drives its internationalisation process.

The next chapter will outline the applied research methodology to refine the theoretical understanding of how and why the alternative learning processes may offer an expedited means to acquire and absorb the experiential knowledge (market and internationalisation knowledge) in the firm's own knowledge base to internationalise. It is notable that the Uppsala model has been based on inductive insights of Johanson and Vahlne seminal work (1977), the underlying theoretical assumption of the firm level model have been changed and refined in light of the changing empirical context which allowed to problematise the theoretical assumptions to advance the theoretical understanding rather than impose the theoretical terminology onto the data fragments that can fit (Welch et al. 2016; Vahlne and Johanson, 2017). This abductive approach allows to revise dominant theoretical assumptions in the international business field, to search for alternative theoretical explanations which can explain the empirical surprise (Dubois and Gadde 2002,2014). However, in the international business research methods the status quo is dominated by the neoclassical thinking and quantitative approaches, which prevent to create a qualitative process understanding of how and why an emerging phenomenon such as the internationalisation process evolves over time (Welch et al., 2016; Welch and Paavilainen-Mäntymäki 2014; Birkinshaw et al., 2011).

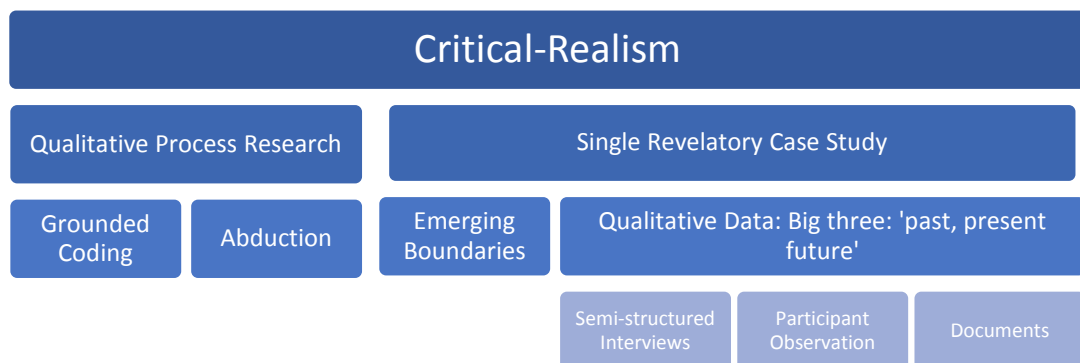
Fortunately, there are appropriate methodologies that have been developed outside the international business literature in the broader management research stream e.g. (Langley et al. 2013; Alvesson and Kärreman, 2007, 2013; Alvesson and Sandberg 2011) to develop a true process understanding in the qualitative sense that does not seek to create universal applicable theories that can predict outcome but rather as Michal Buraway (2009:20) points out to develop theories that can provide "cognitive maps through which we apprehend the world" (cited in Welch et al. 2016:789). In line with the methodological roots of the Uppsala internationalisation process model, this Ph.D. problematise the current theoretical understanding by gathering and confronting the extant theoretical understanding presented above vis a vis the captured grounded insights – to abductively refine the theoretical understanding.

3 From Grounded Methodology to Process Methodology

3.1 Introduction

In International Business research there is a lack of established qualitative process research standards and procedures on how to gather, analyse and present rich qualitative data (Cuervo-Cazurra et al., 2016; Gilgor et al., 2016; Doz, 2011; Brikinshaw et al., 2011; Golden-Biddle and Locke, 2008). This is an issue, since it is a key concern in qualitative research how to gather and present the evidence in a coherent, convincing and interesting manner to produce trustworthy research (Alvesson and Kaerremann, 2007; Langley, 2009). This affects the authenticity and trustworthiness of research to develop suitable and rigorous theoretical insights that are trustworthy (Dubois and Gadde, 2002; Cuervo-Cazurra et al., 2016; Sinkovics et al., 2008). Due to this lack there is a debate about how to conduct case study research, which mirrors different ontological and epistemological assumptions (Welch et al., 2011; Dubois and Gadde, 2014). In this thesis the author has engaged in a broad reading of qualitative process research methods in international business research and wider management literature e.g. (Langley et al., 2013; Tsoukas, 2009; Pentland, 1999) to draw on formalised methodological insights into how to analyse a process within a single revelatory case study. Specifically, this thesis draws on 'abductive' research methods to 'problematise' theoretical understanding based on contrasting those accounts with complexities in the case study to unpack theoretical understanding at a lower level in order to subsequently enhance and refine our understanding based on this particular case and its context.

Figure 2. Research Framework (Author, 2016)



This chapter will outline the qualitative research process and approach that has been applied to address this thesis's research question, namely, how and why grafting impacts the firm's ability to close its knowledge gap in an expedited manner to successfully internationalise into a culturally distant host context. The study's research framework is outlined in Figure 2. It illustrates the methodological approach employed to guide the research process consistently towards trustworthy findings that meet the research objective. The chapter is structured into five sub-sections.

First of all, the critical-realist ontological and epistemological assumptions adopted in this study will be presented in light of the explorative and explanatory research objective, in order to set out how and why critical realism is appropriate to generate a process-understanding based on a single case study. Secondly, the research design of a single revelatory case study is discussed, setting out how and why the particular case study has been selected, taking into account the case context, and explaining how this method is consistent with the explanatory research aim of the thesis. Thirdly, the ethnographic fieldwork approach and the specific data collection methods are discussed in light of their ability to collect rich and authentic data that is suitable for trustworthy process theorising. Fourthly, the data analysis process and techniques that have been employed are discussed in sequence. These are: process tracing and crafting a narrative; grounded coding; 'problematisation' and matching; and abduction, to move to a process-based explanation. Fifthly, the limitations of this methodology are outlined, including self-reflection and ethical consideration of the thesis. Finally, the chapter's key message is summarised.

3.2 Critical-Realism

The thesis is founded on the critical-realist ontology and the epistemology of Roy Bhaskar (1988), which was introduced to the applied management and international business discipline by a number of social scientists - (Bhaskar, 2014; Fleetwood, 2004; 2005; Welch and Paavilainen-Mäntymäki, 2014; Easton, 2010; Sharpe, 2004; Ackroyd and Fleetwood, 2000; Morias, 2011; Tsoukas, 1989; Welch et al., 2011; Reed, 2005; Bhaskar, 1975; 1979, cited in Welch et al., 2011:748; Wynn and Williams, 2012)

The critical-realist philosophical position is situated between the realist-ontological and the interpretivist-epistemological assumptions (Marschan-Piekkari and Welch, 2004; Fleetwood, 2004). The critical-realist philosophical underpinnings suggest that there is an independent

reality to individual perceptions of the world in accordance with realist ontology, but that the perception and interpretation of the world is subjective according to the values and pre-conceptions of individuals based on the meanings they attach to social phenomena, in line with interpretivist-epistemological approaches (Fleetwood, 2004). This epistemological approach suggests that the purpose of theory is not to be predictive, but to be explanatory (Welch et al., 2011), and seeks to identify 'causation' as a 'contextualised explanation', seeking to explain how and why the social structure enables or constrains human agency and how human agency reproduces and shapes those social structures over time (Sharpe, 2004:309). This mix, between a realist ontology and an interpretivist epistemology, allows the author to reconcile theoretical ability to understand - 'verstehen' - and to explain - 'erklären' (Fleetwood, 2004; Welch et al., 2011:748).

Accordingly, explanations can be based neither purely on empirical observations of the empirical world of the researcher nor purely on accounts of the actors; rather, the causality of events can be understood with reference to 'generative mechanisms' or process, e.g. social structures such as culture that may govern, to thereby provide a plausible explanation of how and why phenomena have evolved over time (Tsoukas, 1989, cited in Sharpe, 2004:310). It is important to note that these generative mechanisms take into account the contextual conditions in which those mechanisms may or may not apply (Langley, 1999; Morais, 2011; Welch et al., 2011; Sharpe, 2004). In other words, the critical-realist philosophical underpinnings reject the notion that there are law-like theories in social science; and, according to critical-realism, the use of case studies as a 'sensitising tool' of the phenomena of interest is useful in order to postulate plausible explanations that can refine theoretical understanding based on the particular insights of a single case study - referred to as 'particularisation' instead of 'generalisation' (Welch et al., 2011; Tsoukas, 1989; Sayer, 1993, cited in Sharpe, 2004:309).

Critical-realism is well-suited for process theorising. It provides a means to theorise the connection between the micro-practices (individual actions) and macro (social)-structures to provide a 'theoretical hoist' out of the micro-level of the agents' conceptualisation to their macro-level structures in which those actors participate (Sharpe, 2004:306). Put differently, critical-realism seeks to describe and explain how and why events are produced, by identifying the influence of micro-individual agency on social structures and how these actions shape those macro-structures over time, which is well-suited for process-theorising

from a single revelatory case study (Sharpe, 2004). Therefore, the critical-realist philosophical underpinnings enable the thesis to examine the interplay between both individual managers' agency and social structures, e.g. culture, to discover new relationships and 'causations' in those events, which leads to the refinement of existing theoretical understandings. And, importantly, this is as opposed to reducing real-life complexities in pursuit of replicating broader similarities (deeper structures) across cases, to create law-like universal theories (Morais, 2011; Dubois and Gadde, 2014).

This ontological and epistemological approach allows the thesis to provide a process explanation that goes beyond describing patterns of events to identifying the unobservable generative mechanisms (i.e deeper theoretical reasons) driving these patterns, whilst accounting for the particular context (Dawson, 2003; Langley, 2009, cited in Welch and Paavilainen-Mäntymäki, 2014:5). This approach, therefore, allows the thesis to contribute to theory in a more significant way than to just propose or test theoretical constructs; it illuminates how (causal connection) and why (theoretical mechanism) these operate, to make multiple contributions to the theory (Dubois and Gadde, 2014; Bello and Kostova, 2012). As such, critical-realism allows the development of contextualised, process-based explanations from the micro-level that specify the contextual conditions in which the explanatory mechanism situated in the social structures will apply; this will enhance the theoretical understanding of how and why the indirect learning processes of grafting may or may not enable the firm to close its knowledge gap in an expedited manner to be able to successfully expand into a culturally distant context (Welch et al., 2011; Welch and Paavilainen-Mäntymäki, 2014).

In terms of theorising methods, critical-realist ontological and epistemological assumptions challenge inductive and deductive theorising development, but the thesis proposes that 'abduction' provides a more contextual approach to theorising. Abduction seeks not to discover new theory but to conceptualise empirical findings differently, to refine the theoretical understanding and explanation based on accounting for the contextual conditions that may enable or constrain the theoretical explanatory power (Langley et al., 2013; Welch et al. 2011; Sayer 1992). Adopting a critical-realist philosophical position, hence, allows this author to employ a single case study to create a more contextualised explanation that does not abstract the theoretical findings from their context in pursuit of generating a testable hypothesis. The approach reconciles the collection of rich contextualised insights as

'stories' with the explanatory rigour to develop contextualised 'causal' explanations to sensitise the theoretical understanding and explanations in light of the context (Welch et al. 2011:745; Dubois and Gadde, 2014). In other words, the philosophical position permits this study to move beyond the inductive interpretivist sense-making approach to explanatory research to identify a mechanism in the social structures as a 'causal explanations' by theorising from the micro-individual level to the macro-level, which is critical to move beyond the rich descriptions of the pattern of events to be able to 'expose' theoretical insights in form of 'causality' (Sharpe, 2004).

Causality is conceived in the gestalt of 'generative processes' or a 'generative mechanism' which provides most plausible 'contextualised explanations' of how and why events occurred, whilst being applicable to other social situations with similar contextual conditions (Welch et al. 2011; Morais 2011). Therefore, the critical-realist ontological underpinnings enable the author to gather rich contextual data for in-depth insights within a single case study, whilst the epistemological assumptions permit identification of 'causal relationships' that can explain how and why lower-level elements and processes influence and shape firm-level processes and outcomes. This generates a more 'contextualised explanation' that contributes to theory development and refinement rather than generating new theories (Sharpe, 2004; Welch et al., 2011; Dubois and Gadde, 2002).

3.3 Research Design: Single Revelatory Case Study

This thesis's objective is to explain how and why the indirect learning process of grafting impacts firms' internationalisation process over time. Although critical-realism is not specific to any research method, it seeks to explore causality beyond pure empirical observations, as is the case in correlation and variance approaches (Welch et al., 2011). In order to do so critical-realism advocates an intensive research strategy of exploring the individual agents and their causal contexts (Sayer 1992; Welch et al., 2011). To develop such an in-depth processual understanding a single revelatory case study design is well-suited (Ghauri, 2004: 114). It allows the researcher to immerse himself in the data to explore the complex processes within the natural research setting, to 'discover mysteries' that can problematise theoretical understanding, as opposed to spotting a research gap from the theory and either contradicting or confirming previous research (Langley and Abdallah, 2011; Vahlne and Johanson, 2017; Dubois and Gadde, 2014; Alvesson and Kaerremann, 2007). The single

revelatory case study has become a widely recognised research design to abductively generate novel theoretical understandings and more 'contextualised explanations' - based on 'stories' - in the form of rich and in-depth insights into the particular case (Langley and Abdallah, 2011; Dubois and Gadde, 2002; Ghauri, 2004). This is in sharp contrast to traditional case study research such as Yin (2009), Eisenhardt (1991) and Eisenhardt and Graebner (2007), that generalise findings away from the particular case into theoretical constructs. This limits the uniqueness and specificity of the empirical world, leading to neglect of the very features that are important to understand the case itself (Dubois and Gadde, 2002; Langley and Abdallah, 2011; Welch et al., 2011; Ragin, 1991; Stake, 1994, cited in Dubois and Gadde, 2014:1278).

3.3.1 Case Selection

To carry out ethnographic research approach, the author had to gain access to a case study site. The author approached multiple MBEs who were operating in emerging markets and seeking to expand further into these markets. Eventually, the author had identified a research-focused company which was interested in the project. However, the interest alone was not sufficing to facilitate the access, so that the author agreed to work as an intern in the MBE for six months to support the expansion project whilst at the same time being able to collect data on the project in real time.

After the negotiations were completed, the author had access to a critical and revelatory single case study of the European MBE which was undergoing a real-time internationalisation process, in seeking to increase its commitment further into an unfamiliar and culturally different market context, namely Egypt. The European MBE was founded in 1840, and it has a long history of internationalising, and established a global presence represented by more than 150 production and distribution centres in more than 100 countries (Company, 2016a). The MBE is a large conglomerate which focuses on the manufacturing of specialty chemical products. The particular business line studied in this case study has been the driving the internationalisation process of the MBE since the 1970s as it does not require a high degree of localisation, and thus being able to sell it in both emerging and advanced markets. The company department was also seen as a first-mover when entering new markets and especially emerging markets (MG I, 2016; HR I, 2016, 2016). The business line has developed a global presence with eight production facilities across the globe covering a comprehensive

supply chain network operating in over 120 countries. This advanced company was seeking to increase its commitment to penetrate the Middle East and North Africa (MENA) region, and more specifically, in this case, by establishing a warehouse in Egypt. This case study and context, therefore, fitted the initial research questions (as shown in Appendix 9.1).

More importantly, the case study presented a critical and unique opportunity to advance theoretical understanding of the process studied: whether or not grafting experiential knowledge enables firms to accelerate their internationalisation process. The case study presented a 'critical' case: where an Egyptian manager was grafted - promoted and physically moved from the local subsidiary in Egypt to the firm's headquarters in Europe. It allows to examine whether the firm benefited from the manager's experiential know-how to be able to expand the local presence and commitment to improving its sales performance in the MENA region. As such, this particular chosen case study offers a rare and critical opportunity to analyse the internationalisation process of larger firms from the other side of the coin, where experiential knowledge has been grafted and did not have to be incrementally acquired via direct experiential learning; and, therefore, it is critical to advance theoretical understanding (Ghauri, 2004; Yin, 2013).

Moreover, the case study presented a unique research opportunity to collect data on an internationalisation process in real time, with exclusive access to the very individuals involved in the learning process that was driving the firm-level internationalisation process. The case study offered the author an active participant-observation role within the firm to gain interactional expertise and understandings within it as an 'insider', as the managers were seeking to expand further into a territory that was very unfamiliar and culturally distant for the majority of the senior managers at the firm's headquarters, namely, Egypt in the MENA region. The grafted knowledge had to be absorbed by the senior managers to be employed effectively in the expansion process. This need to transfer and absorb experiential knowledge in the multi-layered decision-making process is what distinguishes this case as revelatory since the unique access to embark on an ethnographic data collection facilitated data-gathering on the crucial individual managers across the managerial hierarchy who were involved in the learning processes that drove the internationalisation processes. Such insights into the elite individual decision-makers in MBEs are very rare and almost unknown to the international business research, due to the significant hurdles associated with gaining access to these elite individuals (Ghauri, 2004; Chapman et al, 2004; Sharpe, 2004; Piekkari and

Welch, 2006). The opportunity to apply a participant-observation technique at managerial level is almost unknown in international business research also because of the difficult and time-consuming process of gaining access to larger MBEs, not to mention the busy and high profile individual managers (Sharpe, 2004; Chapman et al., 2004). Therefore, this case study offers high potential for developing novel processual insights by exploring how and why the intercultural differences at the micro-level within the firm affects its ability to indirectly acquire experiential knowledge from a grafted manager, from which it will be possible to develop a refined theoretical process-understanding of how the indirect learning process of grafting impacts firms' internationalisation over time.

In addition, the case study offered the opportunity to analyse the interaction of senior managers from the firm's headquarters with a grafted manager from the host context for a more contextualised explanation. The selected case context, therefore, allowed a contextualised sampling approach to contextualising the case study findings, to further enhance the trustworthiness of the single case study-based findings (Lincoln and Guba, 1985 cited in Dubois and Gadde, 2014:1281; Poulis et al., 2013).

3.3.2 Abduction, Systemic Combining and the Evolving Case

In order to produce novel theoretical insights it was critical to adopt a flexible research design that allows exploration of the learning process in-depth in the natural research setting. This helps the research to stay open to the discovery of empirical surprises along the data collection and search for 'useful theories' that can help the analysis and interpretation of the case study data; it enables the 'problematisation' and enhancement of theoretical understanding by contrasting the theoretical undertaking *vis a vis* these surprises (Alvesson and Sandberg, 2011; Dubois and Gadde, 2002; 2014). Such a research approach referred to as 'systemic combining', enables the author to confront theory with the empirical world. This confrontation was iterative and continuous throughout the research process, through the evolving case study and the underlying evolving theoretical framework that guides the search for empirical data and enables a theoretical platform to arrive at a refined theoretical understanding. This approach - shifting the theoretical framework along the evolving case study understanding, guided by empirical surprises and theoretical insights gained - is well-suited to abductively create process theories based on a single case study that combines established theoretical models and new concepts to create more nuanced theoretical

understandings. In particular the approach is consistent with critical-realism's aim to sensitise the theoretical understanding by theorising from the micro-individual level to the macro-level, which is critical in order to move beyond rich descriptions of the pattern of events to be able to 'expose' theoretical insights in the form of 'causality' (Sharpe, 2004). Therefore, systemically combining the revelatory single case study with the theoretical framework offers greater potential to question theoretical assumptions and relationships, to abductively develop new theoretical contextualised explanations (Langley and Abdallah, 2011; Vahlne and Johanson, 2017; Welch et al., 2016; Dubois and Gadde, 2014).

In order to develop a new refined theoretical understanding, the data collection had to be flexible to incorporate the discovery of potential mysteries along the research process. Since the final product of the case study cannot be known beforehand (Dubois and Gadde, 2002; 2014), the data collection and data analysis were carried out in conjunction. This enabled the author to sharpen the boundaries of the single revelatory case study alongside the research process from 'the tool to the final product', of moving from gathering empirical data to the theoretical processual account of how and why indirect learning processes impact the internationalisation process over time (Dubois and Gadde, 2002). The following will outline the guiding principles in composing the single revelatory case study as the tool. (The actual data collection and analysis process behind the evolved case will be discussed in section 3.3).

First of all, in order to refine the extant theoretical understanding, the case study was not limited to pre-defined theoretical propositions or what the researcher believes, but applied an emergent process-tracing for an emerging boundary setting, referred to as 'casing' (Ragin, 1992). The author started to trace events by creating a timeline of the critical events in the case study, as shown in Appendix 9.2. Subsequently, the author began to create a storyline in the form of a descriptive narrative around those critical events, in chronological order, to understand how events developed and why the process unfolded in the particular way it did (Ghauri, 2004). The composition of the narrative allowed the author to incrementally identify phases in the process and to sharpen the boundaries of the case study based on the evolving insights that emerged when integrating the views of the individual actors and the broader context of the expansion process (Pettigrew, 1997; Pentland, 1999; Langley, 1999).

The descriptive narrative allowed for adequate contextualisation of the case study (e.g. embedded units of analysis) to account for the particular conditions and to discover wider

patterns, rather than excluding new emergent themes from the case study and potential mysteries (Ragin, 1992; Piekkari et al., 2009; Miller and Tseng, 2010). This evolving case study form allows daily language and accounts of individual informants to be maintained until theoretical insights have been gained at the end, thus avoiding being led by pre-conceptions (Dubois and Gadde, 2002; Poulis et al., 2013; Alvesson and Kärreman, 2013). Accordingly, the emerging boundary's setting allowed the case study to provide rich contextualisation to meet the explorative and explanatory research aim (Ragin, 1992; Ragin, 2009; Poulis et al., 2013; Dubois and Gadde, 2014; Sandberg and Tsoukas, 2011; Piekkari et al., 2008).

Simultaneously alongside composing the descriptive narrative, the author started to code and categorise the data in each phase to search for novel theoretical insights into "what was going on here" in terms of 'deeper structures' (Gioia et al., 2013:20). This was part of the search for conceptual ideas and categories, in tandem with the previous identified literature, to advance the "ladder of abstraction" (Ghauri, 2004:118) (as will be explained in more depth in the data analysis section, 3.5). In order to move from the descriptive story to the conceptual realm in the evolving case study narrative, the author began to rearrange the chronological events storyline to identify some more conceptual categories within events, as shown in the findings chapter, and to subsequently re-code and rearrange the data which gave rise to the conceptual ideas (Ghauri, 2004). This 'evolving case', shifting between data collection, analysis and interpretation, enabled triangulation of the data sources to minimise personal biases and arrive at an authentic and trustworthy account (Cuervo-Cazurra et al., 2016; Ghauri, 2004). More importantly, the triangulation of multiple accounts and data sources permits deeper and new insights. Contrasting managerial accounts, for example, enabled the author to redirect the research focus in light of surprises encountered, to refine the research questions further to define the boundaries of the case in pursuit of increasing coherence as shown in Appendix 9.1 (Silverman, 2005; Eriksson and Kovalainen, 2008; Ghauri, 2004; Dubois and Gadde, 2002).

At the beginning, the author drew on the institutional-based view, the knowledge transfer process literature and the micro-foundations literature as general guiding preconceptions for the data collection in addition to the guiding research question, to avoid 'data overload' and to collect potentially relevant data. However, the theory was not used in a prescriptive sense, but as a general sense of reference in order to not get overwhelmed by the infinite possibilities in data gathering in ethnographic research (Miles and Huberman, 1994; Dubois

and Gadde, 2002:558). These preconceptions, as part of the guiding research framework, were considered 'technical literature', to keep the sheer volume of data manageable by trying to 'filter out the noise'. The framework evolved, however, to guide the search for theoretical perspectives that allow a deeper understanding of the evolving case study and to identify those critical empirical surprises (Ghauri, 2004; Birkinshaw et al., 2011; Eriksson and Kovalainen, 2013, Alvesson and Kaerremann, 2007).

As the author became more familiar with the case and discovered potential mysteries, the previous guiding theoretical framework evolved to combine complementary insights that helped explain the newly discovered 'mystery' that the extant theoretical perspectives could not explain sufficiently. In order to do so, the author combined the evolved understanding of the case study with the theoretical perspectives in tandem, to develop a more nuanced theoretical understanding. The systemic combining and evolving case study research design, therefore, allowed the author to consider multiple theoretical perspectives and minimise confirmation bias by not gathering data in theoretical pre-defined categories, whilst facilitating that preconceptions articulated in the guiding framework were contrasted to refine the theory base using the insights gained (Dubois and Gadde, 2002, 2014; Gioia et al., 2013).

Given the limits of the single case study, the author applied the 'within-case' analysis techniques of 'replication' and 'triangulation' of three qualitative data sources to ensure the authenticity and trustworthiness of the findings (Paterson, 2012; Miles and Huberman, 1984; Dubois and Gadde, 2002; Ghauri, 2004). This richness allowed the author to search for replication of clues and patterns within the single case study rather than across different cases, as well as to be able to triangulate these different insights, the better to create trustworthy contextual accounts of the internationalisation process (Dubois and Gadde, 2014; Ghauri 2004; Langley, 1999). In short, the triangulation of the complementary data sources allows validation the information from a variety of sources and angles to reduce the likelihood of misinterpretation and thereby to increase the trustworthiness of the findings (Ghauri, 2004; Dubois and Gadde, 2002).

In terms of replication, the single case study offered multiple instances as events where the managers interacted to guide their strategic decision-making and learn how to address the contextual differences alongside the internationalisation process. As such the single case

study design and data replication and triangulation also allow a longitudinal approach to minimise personal biases in the data collection and analysis process to aid authenticity of findings (Marschan-Piekkari and Welch, 2004; Ghauri, 2004). The evolving case study design, therefore, allowed this study to go back and forth between theory and empirical findings to be open to the 'discovery of mysteries' requiring alterations in the data collection and analysis (Ghauri, 2004) to refine the theoretical focus of the study, the unit of analysis and case study boundaries (Ghauri, 2004; Ragin, 2009, cited in Welch et al., 2011; Poulis et al., 2013). This selection process to refine the case study context and story was sharpened over time, as the final product cannot be known in advance (Dubois and Gadde, 2002; 2014).

Ultimately, the single revelatory case study serves the purpose of confronting theory with triangulated empirical findings to arrive at a conclusion about how the identified elements and processes can explain the individual case (Piekkari et al., 2009; Dubois and Gadde, 2002; Dubois and Gadde, 2014). The single case study approach allows the research to produce richer and more contextual accounts, which, as stated previously, lead to recognition of the causality in the events of the process rather than to abstracting the elements from the events and the context (Langley et al., 2013; Langley, 1999:705). Hence, the case study research design is consistent with the critical-realist ontological and epistemological assumptions, i.e. to understand and explain the sequence of the events over time based on a mechanism that is centred on the causality of the events, to provide a contextualised explanation (Welch et al., 2011).

3.4 Data Collection: Ethnographic Fieldwork

The author has embarked on an ethnographic fieldwork approach to explore the managerial processes in which the individual managers are involved during the internationalisation process. This approach likewise facilitated the collection of rich, authentic and trustworthy data to gain deeper insights into how and why firms can acquire experiential knowledge indirectly by grafting an expert manager with the relevant experiential knowledge (Sharpe, 2004; Chapman et al., 2004; Eriksson and Kovalainen, 2008). Yet, ethnographic research is rare in international Business which posed a challenge to collect rich, authentic and trustworthy insights from the insiders in real time (Marschan-Piekkari and Welch, 2004; Sharpe, 2004). In order to familiarise with the practice of participant-observation that can capture intangible elements such as how cultural perspectives shape the managers'

behaviours, the author consulted classical ethnographic textbooks e.g. De Walt and De Walt, (2002) about the process and note-taking techniques. Most importantly the author identified an expert in ethnographic research at the political science school to address the lack of guidance in international business research to acquire the ethnographic skills in a short time period. It is important to outline that the ethnographic fieldwork approach employed here seeks to provide pragmatic cultural analysis which can help senior managers and firms to address the cultural challenges managers face in operating in a multicultural working environment rather than trying to literally write culture as anthropology and ‘serious ethnography’, seeking to present and understand culture rather than providing pragmatic recommendations (Westney and Van Maanen, 2011).

3.4.1 Data Collection Techniques: Participant-Observation, Semi-structured Interviews, and Documents

The data collection was guided by the overall theoretically motivated research question, which has been refined into four operationalised research question, as shown in Appendix 9.1, to search for relevant data that will allow to discover an interesting ‘mystery’ that allows to ‘problematise’ and advance the theoretical understanding. This study successfully collected primary and secondary qualitative data in real time and records of past events including the social memories of actors, in order to avoid ex-post rationalisation (Van de Ven and Poole, 1990; Langley, 2009; Easton, 2010; Wynn and Williams, 2012). The ethnographic fieldwork approach is a longitudinal approach that permits researchers to employ three data collection techniques simultaneously, namely participant-observation, semi-structured interviews and documents, so that they draw on a coherent and convincing evidence-base with complementary temporal embeddedness (Langley, 2007; Langley, 2009). The participants’ observations are embedded in the present, the interviewees’ statements are grounded in personal memories and linked those to future events, whilst secondary evidence such as documents is evidence of the past. These methods were employed as part of an ethnographic fieldwork approach, in which the researcher worked primarily together with the grafted manager for six months on the internationalisation project in real time, from July 2016 to December 2016. The researcher, therefore, was able to collect past and real time data for a rich, authentic and trustworthy qualitative data base.

3.4.2 Participant-Observation

Participant-observation was the principal means of ethnographic approach to collect qualitatively process data on how culture affected the behaviour of individuals. Participant-observation enables the researcher to experience culture first-hand as an insider, as revealed by becoming a member of the organisation. This methodological approach allowed the author to immerse himself in the organisational context and the learning processes in order to gain an insider understanding to capture how culture affects the way people behave in the natural research setting (Sharpe, 2004).

The researcher immersed himself for six months as part of an intern role in the firm's headquarters, located in Europe, and also included two visits to the host market of Egypt for a week each time. The researcher spent a total of over 960 hours and collected over 70 pages of participant-observation notes. One example page of participant-observation notes is shown in Appendix 9.3.

Upon arrival in the firm, the author made sure to begin adopting the local language and to integrate into the team and the organisational context. The researcher worked closely with the grafted manager on a daily basis on several projects in the MENA region, which over time created a trusting and open relationship. Spending time together in the office, as well as travelling together permitted the researcher to witness and/or participate in informal meetings and conversations that established personal relationships and trust between the researcher and informants (DeWalt and DeWalt, 2002). The daily participation and integration into the project were key in order to observe and interact with the managers allowing the author to capture how they perceive the external and internal environment around them. This trust enabled the researcher to collect rich data on the manager's personal views rather than the corporate view, which was very valuable to gain deeper insights into how the cultural perspective shaped the manager's perception and behaviour.

The participant-observation notes included chronological jotting notes (as it was happening) about the operational activities, the expansion project, the organisation, the business context and the managerial views during the process. The jotting notes were recorded on a manual notebook, including informal conversations taking place during events or seminars as well as when travelling together. The author took a pragmatic approach to note-taking,

involving writing things down as soon as possible in real time; but due to the active participation the author was not always able to do so right away. Yet the author managed to mark the essence of new ideas based on observation or newly learned information in the jotting notes. The jotting notes were expanded into descriptive field notes giving rich detail about events either during the daily work routine or in the evening, to reflect on as well as expand on the events (DeWalt and DeWalt, 2002). In addition the author started a log book to keep track of unanswered questions and who to speak to along the process, to ensure the richness and replication of the data (DeWalt and DeWalt, 2002).

The participant-observation notes allowed collection of exclusive insights at the managerial level to capture the insiders' views and the evolution of their perceptions in rich detail over time, which is necessary to be able to understand and explain the emergence, change and unfolding of the events over time (Langley et al., 2013). A key challenge was to be open and transparent about who the informants were and to capture the natives' point of view in an unbiased way to avoid the own-interpretation and accounts. The author, therefore, preserved the insiders' language as much as possible *in vivo* until starting to analyse the data in a more systematic manner (Westney and Van Maanen, 2011). In order to do so, separate logs of the notes captured from the insiders were kept, along with the interpretative notes of the author. This also enabled to start the data analysis from the first day along the data collection so that the data collection can be responsive to the data and emerging insights to support a flexible and open theoretical sampling approach (Corbin and Strauss, 2008:144).

Although six months was rather a short period of time with the firm, the author exclusively worked to support the expansion project and interacted, shadowed and worked with the grafted manager on a daily basis. The participant-observation facilitates an insider perspective to capture the language, processes and outcomes of practitioners that can inform our theoretical understanding of managerial processes in order to 'problematise' the extant theoretical understanding (Alvesson and Kärreman, 2007). The participant-observation notes also included reflective notes that were either added after key events or upon reflecting on the participant-observation notes in the evening after having collected the data in real time. These reflective notes were particularly useful to identify potentially important theoretical elements along the process, and to be able to trace the evolution of the author's own understanding (DeWalt and DeWalt, 2002). Since fieldwork is not just recording notes but also an interpretive task, and there are always multiple interpretations

(Van Maanen, 1988) and the author informed his supervisors of novel insights and cross-checked them, employing an ‘insider-outsider’ approach for more rigorous findings (Gioia et al., 2010).

After all, it is not organisations themselves that learn, the learning is enacted by individuals (Brannen, 2004). The participant-observation allowed the research to connect how culture is linked to the abstract theoretical constructs of learning and the individuals carrying out the social processes (Sharpe, 2004). The participant-observation permits identification and understanding of the link between the learning processes on the individual level - i.e. what individuals do and how this impacts the firm’s ability to learn. This method was particularly well-suited to exploring the insiders within that context to unpack how the complexity of the culture affected the learning process over time. It was possible to observe how and why the individuals’ own cultural perspectives affected learning processes. Employing participant-observation, in particular, allowed the author to observe that individuals may employ unconscious tacit understanding, or be shaped by their cultural backgrounds to deal with specific situations based on past experience (Cuervo-Cazurra et al., 2016). This type of data collection enabled the author to collect rich, open and emergent process data which was well suited to discover ‘breakdowns of theory i.e mysteries derived from empirical observations that did not fit with existing theories and frameworks to construct a ‘mystery’ (Alvesson and Kaerreman, 2007:1277). Consequently, participant-observation allowed the author to capture and trace the individual perceptions, actions of the individual managers and an insider understanding of how strategy is implemented within the cultural milieu that may not have been available by merely asking questions. Overall, this way of collecting data is aligned with the research aim to examine events within the context as it emerges from and supports the application of process-tracing allowing accounts to be made for diverse contextual factors (Miller and Glassner, 2011; Poulis et al., 2013; Cuervo-Cazurra et al., 2016). The participant-observation, therefore, was used within the firm along the process.

3.4.3 Semi-Structured Interviews

Table 1. Semi-structured Interviews

Number	Reference	Position	Date	Details
1.	AH	Regional Sales Director	14/07/2016	Customer Segmentation Egypt and Global Tax Regulations

2.	HR	Vice President for Marketing and Sales	21/07/2016	Egypt Hub: Challenges
3.	MH	National Sales Manager	27/07/2016	MEA Hub
4.	PF	New Business Development	04/08/016	Acquisitions Strategy
5.	AH	Regional Sales Director	02/09/2016	Egypt Hub
6.	AP	Senior Vice President for Marketing and Sales	07/09/2016	Internationalisation and MEA Hub
7.	MS	Regional Sales Director	09/09/2016	Internationalisation Process
8.	MH	National Sales Manager	05/10/2016	Shift of Challenges
9.	MG	Managing Director for Finance	20/10/216	MEA Hub and Internationalisation Process
10.	EA	Head of Business Line	25/10/2016	Hub and Internationalisation Process
11.	MC	Head of Strategy and Projects	31/10/2016	Overall Internationalisation Process
12.	AP	Senior Vice President for Marketing and Sales	11/11/2016	Change in Foreign Currency Situation
13.	AH	Regional Sales Director	24/11/2016	Evolution of MEA Hub
14.	AH	Regional Sales Director	30/01/2018	Overall Expansion Process with focus on the transfer of solution ideas

The data collection also included 14 in-depth semi-structured interviews conducted across the managerial hierarchy, from the national sales managers at the subsidiary, to the regional directors (Grafted Manager) at the firm's headquarters, and from the Vice-Presidents to the Board of Directors along the expansion process, as shown in Table 1. The in-depth semi-structured interviews lasted on average approximately one hour, and were particularly useful to explore and understand the impact of the different cultures on the perception and behaviour of the managers as decision-makers (Ghauri, 2004). The author chose the semi-structured interviews since these offered a clear advantage compared to other methods, such as surveys, in order to penetrate the interwoven and complex issues in the internationalisation process (Marschan-Piekkari and Welch, 2004; Blaikie, 2010; Yin, 2013). These semi-structured interviews offered primary data insights into the meanings and interpretation made by the managers involved without any pre-existing theoretical bias leading the respondent. This facilitated exploration and speculation about the underlying mechanism from the managers' own perspectives (Daniels and Cannice, 2004; Alvesson and Kaerremann, 2007; Blaikie, 2010; Langley, 2009).

The author prepared an interview protocol which set out the aims of the individual interviews, and the broad themes and issues to be covered; this ensured that no information that may be useful that was picked up from the participant-observation notes was missed, supporting the consistency of data collection and the research aim (Daniels and Cannice, 2004). Before commencing the interview, the interviewee was assured that this answers would be treated with confidentiality only to be used for this research's purpose. An extract of the semi-structured interviews' guide is shown in Appendix 9.4. The interview questions were semi-structured, including three parts that contained similar key questions for individual managers. The interviewees were all asked similar key questions about critical events to be able to compare and contrast their individual narratives across the organisational hierarchy over time. The contextual insights gathered throughout the participant-observation allowed the author to tailor the semi-structured interview questions to the daily operations and use managers' daily language in the open-ended interview questions to gain richer insights and to avoid pre-defining data into theoretical categories (Chapman et al., 2004; Marschan-Piekkari and Reis, 2004).

Whilst the interviewees were all asked similar key questions, the semi-structured questions allowed for sufficient flexibility to adjust the follow-up, or for more probing questions to be asked of the particular individual interviewee based on their activities in the process. This allowed the interviews to be systematically prepared while also enabling them to be conducted in a fairly conversational manner, encouraging each interviewee to share his personal insights (Eriksson and Kovalainen, 2008). This adjustment was carried out as the researcher gained knowledge through the participant-observation, or from documents about the apparent critical issues, or within the interview, based on new insights that emerged based on answers given. As a result the interview protocol questions and transcriptions may differ based on discovered insights gained during the interviews. This improvisation of refining the interview questions based on the emerging insights highlights the emerging nature of the research process (Wilkinson and Young, 2004). Therefore, these semi-structured interview questions allowed the author to improve the richness of the data, to compare and contrast the perceptions of the insiders within the process.

Most insightful were the interviews conducted with the grafted manager, as he not only led the project, but had strong awareness of the cultural differences between the host market and the European company. The grafted manager highlighted the cultural differences from

his own perspective as an underlying issue that might cause difficulties in his new experience. His statements were very rich, based on an extensive working history with the company for over fifteen years in the host context as well as in the home context.

While semi-structured interviews are well-suited to capture the insiders' narrative and to be able to understand managers' own accounts, these interviews were artificial and subject to social memories, which are shaped by future events or even rationalisation in light of future events (Langley, 2009). In order to mitigate the ex-post-rationalisation of individual managers leading to biases, this research triangulated the perspectives from multiple managers across different units in the MBE with the observational and documentary evidence to ensure the evidence was not biased (Marschan-Piekkari et al., 2004). As shown in Table 1, the semi-structured interviews with key informants were conducted at different points in time along the process to be able to trace changes in the perceptions of the natives. The interviews were conducted broadly in three stages: at the beginning of the process (before the Board decision); during the decision process; and after the Board decision. This sequence allowed the study to trace the evolution of the insiders' accounts to understand how and why cultural differences in the context affected the ability to transfer experiential knowledge. After the interviews were conducted the author noted key insights that emerged from the interviews while seeking to understand the sequence of the events. The author added new insights to the interpretive notes in the participant-observation to complement evolving insights into the process.

3.4.3.1 Bilingual and Cross-Cultural Interviewing

The research context involved the researcher being exposed to a multi-cultural and multi-lingual international business environment. This multi-cultural and multi-lingual research setting required a number of choices to be made regarding which language to collect the data in to ensure a trustworthy data base (Marschan-Piekkari et al., 2004; Marschan-Piekkari and Reis, 2004). The primary language used at the firm's headquarters is German, with the majority of the employees being German as well. Yet with a global presence in over 150 countries, the company required all employees to be capable of communicating in English to some extent at least. The working environment beyond the firm's headquarters was multi-lingual and the local employees in each country also spoke the local language as their mother tongue, such as Arabic. Some managers were transferred from the subsidiary to the firm's

headquarters so different languages were also present and used in the daily business setting. Accordingly, there was the need to pick a language in which to record and analyse the data. The author chose to record the data according to the real-life context using the language used in the particular situation, either German or English, and rely on English for analysing and reporting the data in order to keep a consistent vocabulary and terminology, avoiding confusion or misleading interpretation based on meanings being lost in cross-cultural translations (Marschan-Piekkari and Reis, 2004).

This bilingual interviewing benefited the richness of the interviews since the interviewees were more comfortable expressing themselves in their preferred language. Moreover, due to the potentially different interpretations of language, capturing the accounts in the respective cultural language i.e. German or English, may also reveal some aspects of cultural influence on the individual narratives and behaviour (Marschan-Piekkari and Reis, 2004). This approach also allowed to gain richer data from the senior managers in the company who were more comfortable communicating in German. Yet the author did not speak Arabic and had to interview the national and regional managers in the corporate language of English. Nevertheless, as confirmed in previous studies (Marschan-Piekkari and Reis, 2004) bilingual interviewing allowed for more rich and trustworthy data, including personal views (Welch and Piekkari, 2006).

Despite the richness of the data, careful translation of the German interviews was required to consolidate it into the overall data collection: this was to translate the meanings of the managers as accurately as possible to reflect the underlying values and beliefs that guided their perceptions, and were expressed in attitudes or answers provided in the interview. The author's native tongue of German and fluency gained in English after having studied in the UK for over eight years allowed awareness of the way in which language is not just a medium to communicate, but shapes the content of the message. Accordingly care was taken to consider the original intended meanings of the interviewees in their native language when translating into the English reporting language.

On a note of personal reflection, when working with a multinational team where English was not their first language, understanding and usage of the terminology throughout the project posed challenges as the author had to remove himself from his own understanding of certain terms. It required one to listen very carefully or ask repeatedly the informants what the

intended meaning in the context of use was. There were a couple of occasions where the author had to realise that even though we all spoke English we had different ways of expressing ourselves and that ultimately the cultural differences between Egyptians and a German caused communicative misunderstandings. For instance, the Egyptian manager referred to the black market at the beginning then to the parallel market; it was not clear whether this was an informal or formal market place. The wider understanding of the context, thus, was critical to cross-check the author's understandings *vis a vis* the broader evidence to avoid misinterpretation of the terms and meanings of other non-native English speakers.

3.4.4 Documents

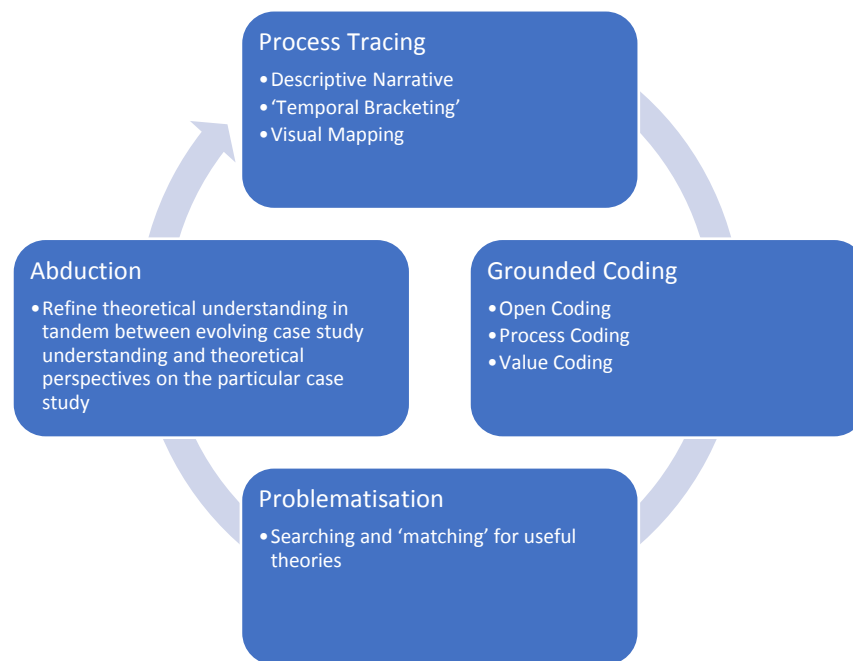
The researcher collected several key documents along the expansion process. These documents included internal PowerPoint presentations about the expansion project, quarterly meetings of the Vice-Presidents, and overall marketing and sales strategy and departmental market performance reports, e-mail conversations, financial performance reports from different regions and customer structures and segmentations. The documents were rich in background information which were useful to prepare the interview questions and contextualise the interview data after the interview, as suggested by Ghauri (2004). Furthermore, these documents allowed construction of a timeline and understanding of events preceding the author's arrival, creating richer contextualisation of the process: to carry out process-tracing in a chronological order, to identify the drivers of the process, and to understand the history of the firm, including to what extent past events shaped future events (Langley, 2009).

3.5 Data Analysis: Process-Tracing, Grounded Coding, Problematisation and Abduction

The data analysis process consisted of a cyclical process of contrasting the emerging insights of the case study story *vis a vis* potentially useful theoretical concepts and perspectives ('matching') along the evolving case study narrative, as explained above in section 3.2. The data analysis started during the data collection to allow for shifts in the theoretical ideas and data collection when on site, and to mitigate rationalisation of the accounts of the managers' cognitions, but the data analysis was completed in retrospect (Langley, 2009). In the broadest sense the analysis process was structured into four phases: 1) process tracing; 2) grounded

coding; 3) 'problematization' and 'matching' and 4) abduction, to move to a process-based understanding as shown below in Figure 3. It is important to point out that the abductive data analysis process was not linear, as in inductive and deductive approaches (Van Mannen et al., 20007), but instead was "a non-linear, path-dependent process of combining efforts with the ultimate objective of 'matching' theory and reality" which was carried out along the research process (Dubois and Gadde, 2002:556).

Figure 3. Data Analysis Process (Author, 2017)



This abduction process technique is endorsed most prominently by Langley et al. (2013:11) and Van Mannen et al., (2007), who outline the challenges in analysing process data with the aim of unpacking processes as they are happening in order to identify underlying 'generative mechanism' that can be applicable to other situations. As outlined by Langley et al (2013:11) "this is a skill that is hard to program systematically. It is largely a process of abduction in which empirical observations and surprises are connected to extant theoretical ideas to generate novel conceptual insights and distinctions" (Locke et al., 2008; Peirce, 1958, cited in Langley et al., 2013:11). In other words, the abductive approach was not so much of a logic but a pathway to critical reasoning where the empirical surprise that is not explained by the extant theory are used to guide the search for theorising to be able to explain the phenomena beyond the particular case (Van Mannen et al., 2007; Dubios and Gadde, 2014; Tsoukas

2009). The abductive analysis process, therefore, had no obvious pattern, but evolved alongside the research process, since after all research is a craft (Mills, 1959 cited in Alvesson and Kaerremann, 2007; Dubois and Gadde, 2002). The following will now elaborate the methods which have been applied in this study to stimulate the abductive reasoning to understand of how and why the grafted managers' knowledge was not transferred effectively to refine the theoretical understanding of how and why the indirect learning process of grafting may or may not enable firms to close their knowledge gap in an expedited manner to be able to penetrate a culturally distant context (Langley, 2009).

3.5.1 Process Tracing

The data analysis process started by crafting a case study timeline with bullet points on the essence of the critical events as shown in Appendix 9.2. The timeline allowed the process sequence to be traced and critical events in the expansion process to be identified, from which the author emerged the boundaries of the case study (Pettigrew, 1997; Ragin, 1992). Subsequently, a descriptive narrative was constructed which evolved over time to an explanatory narrative as shown in the findings chapter. This case narrative facilitated to consolidate the three complementary qualitative data sources to present a rich and broad evidence coherently in the timely sequence of events. This made it possible to understand how the process unfolded in rich detail, as a pre-requisite to theorising the case description, to then explain the event sequence (Pettigrew, 1997; Pentland, 1999; Langley, 2007; Langley, 2009; Langley et al., 2013). This narrative was used as a data organisation device, but more importantly it was employed to develop an embedded and contextual account of the events and process across a number of levels of analysis (managers and the firm) that lead to an outcome, to clarify the sequences across these levels of analysis and to search for patterns that drove the events; this was done by suggesting causal links between the different levels, which also assisted the establishment of the first-order concepts and second-order categories (Langley, 1999; Pettigrew, 1997; Ghauri, 2004)

To begin with, the process tracing started by searching for patterns that drove the process (Pettigrew, 1997). More specifically, the descriptive narrative enabled the author to apply 'temporal bracketing' to identify a clear event sequence of beginning, middle, and end in time by identifying discontinuities and patterns in the temporal flow, as comparable units of analysis in a longitudinal stream of data, where the initial theoretical ideas can be explored

and replicated, to ultimately identify recurring theoretical mechanism in successive time periods that can explain the discontinuities in the temporal flow (Langley, 1999; Langley, 2009; Langley et al., 2013; Welch et al., 2014). This technique was well-suited to deal with the messy nature of the process data including evidence from the context to be transformed into a series of phases to show how the changing context impacted event sequence that are used to describe the pattern of the process. In this way, the research “explicitly incorporates temporal progressions of activities as elements of explanation and understanding” which is critical to create a process based understanding (Langley et al, 2013:1).

In order to craft the narrative, it also draws on Pentland’s (1999) narrative theory to move from description to explanation by crafting a strong underlying plot - to tell a generic story which identifies the focal actors who play protagonists or antagonists to tell a story that might explain the relationship between events in the expansion process, as well as to capture the evaluative context, i.e the way in which the culture guides the understanding of situations and behaviour of the individuals in the organisation, in addition to indicators of time and context (Langley, 1999; Pentland, 1999; Langley et al., 2013). It is important to outline that this study does not fit exactly Pentland’s model but uses the mentioned factors to create a strong plot in rich detail to support the reader’s judgement of the transferability of the theoretical insights allowing for trustworthy findings. In addition, contrasting the different narratives of the same story provided by these actors enabled to gain variety of insights to understand what the meanings and reasons for the different narratives were (Gartner, 2007).

After having identified the underlying elements of the process (referred to as the ‘fabula’ by Pentland) - the specific sequence of the events, the actors and the relationships among these elements - the author started to focalise which actors’ points of views and narratives were going to be important to illustrate and explain the sequence of the story. The articulation of the descriptive narrative and identification of the generic elements in the process story enabled incremental movement from the simple descriptive story to a deeper understanding of the process and the event sequence. It offered clues to the elements that affected the process, to arrive at a time-dependent explanation of how and why the process was affected by these elements over time (Ghauri, 2004; Pentland, 1999; Langley, 2007). The finally evolved narrative is shown in the findings chapter (Chapter 4). Admittedly, composing the narrative in rich detail and accuracy came at a cost of parsimony and generality (Langley,

1999; Langley, 2007), but allowed to discover the causality in the process in the natural research context.

Due to the fact that the narrative embodied the event sequence, it was naturally suited to develop a process-understanding and explanation (Pentland, 1999; Langley et al., 2013). However, the author also employed tables and graphs to compare and contrast data at the lower individual level and used visual mapping to move to a more abstract process-explanation, as will be shown in chapter 4 (Miles and Huberman, 1994 cited in Langley, 2009:416). For instance, the visual mapping, as shown in Figure 6 in chapter 4, allowed the author to trace the evolution of different managerial perceptions along the process to consolidate and present data in a visual manner, to deepen understanding and verify the authenticity of the emerging insights that there are different managerial perceptions between the grafted and the senior managers. This process-analysis technique allowed the authors' attention to be shifted towards the underlying values of the individual managers as a plausible explanation of different perceptions to move to a more abstract conceptualisation of the potential underlying reasons for the different perceptions (Langley, 1999; Langley et al., 2013).

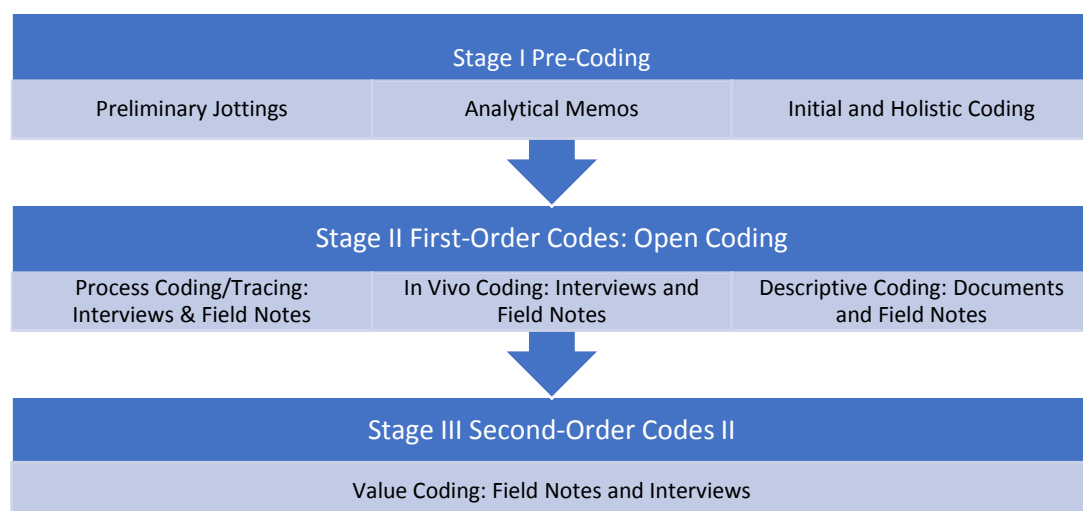
3.5.2 Grounded Coding

Simultaneously with crafting the case narrative to understand the event sequence and potential causes, the author started the qualitative coding process in Nvivo to explore the collected qualitative data in more depth, for conceptual links between the empirical findings and the theoretical realm, to search for 'useful theories' (Dubois and Gadde, 2002). This study draws on Sinkovics et al. (2008), who suggests to standardise the data collection to achieve equivalence and comparability between data sources. Specifically, the author has drawn on Nvivo to manage the sheer volume of the qualitative data which allowed comparison and contrast of the codes (triangulation) across the three sources of data, to formalise the data analysis process, producing more reliable and trustworthy research findings (Sinkovics et al., 2008).

The thesis has drawn on the recent methodological advances drawn from Glaser and Strauss (1967) and Corbin and Strauss (1990) which are employed in recently refined grounded theory approaches which admit that there new insights are derived by starting in inductive

manner but moving on to an abductive approach to avoid reinventing the wheel e.g (Gioia et al., 2013), and more explicit abductive approaches e.g. (Dubois and Gadde, 2002). The underlying rationale for this is to avoid significant theoretical pre-conceptions, and to stay close to the original data and to be orientated to develop a process understanding (Langley, 1999; Langley, 2009). As elaborated below, the underlying reasons for employing the grounded theory approach of open coding was that it allows the gathering of insights on the managerial level as they occur without having to pre-define the data categories early on (Gligor et al., 2016; Dubois and Gadde, 2002). This thesis, however, has not employed a purely grounded theory approach, but merely draws on these insights in order to develop the categories from the data instead of forcing them to fit data into pre-conceived or pre-texting categories, to then, once these insights are gained from the data, abductively refine the existing theoretical understanding by contrasting these emerging insights with the existing theoretical understanding to sharpen the relationships of the existing concepts in pursuit of explaining how and why the grafting may or may not enable firms to close its knowledge gap in an expedited manner (see Dubois and Gadde, 2002, 2014 for an overview of how grounded theory principles are used to develop categories from data to refine existing theoretical understanding rather than develop new theory as classical grounded theory intend to do cf. Burgelman, 2011; Gligor et al., 2016).

Figure 4. Qualitative Data Coding Techniques and Analysis (Author, 2016 drawing on Saldana, 2016)



The grounded theory technique of open coding was suited to producing processual insights since it enabled the level of analysis to be brought down to the micro-level to explore

perceptions of the different individual managers going through the same process (Langley, 1999; Langley, 2009; Dubois and Gadde, 2002; Gioia et al., 2013). By exploring and comparing the interpretation and cultural attributes of the individual managers and groups experiencing the same process at the individual level, 'grounded' theoretical insights are generated that guarantee a high level of richness and accuracy (Langley, 1999, 2007). The open coding was primarily applied in the gathered semi-structured interview data and participant-observation notes since these offered in-depth insights into the individual narratives, attitudes and perceptions, which were particularly valuable to identify how and why the cultural factors had guided the perception and behaviour of the managers. The author has employed a number of coding techniques to gain these in-depth insights, as shown in Figure 4.

After starting with pre-coding, holistic coding and analytical memos along the data collection and analysis process to identify emerging interesting insights, the author moved to more formal first cycle coding methods to further unpack the qualitative data in a cyclical manner for conceptual insights. This coding process was carried out in a recursive manner, allowing the data to be split in search of relevant theoretical insights accordingly to the coding perspective. The process coding enabled the author to identify the activities in the case, allowing analysis of the case study data to be separated from the empirical context (Ghauri, 2004). This makes it possible to classify the data and codes to be able to scrutinise and 'split' the data from different angles that can relate the data to the theoretically-motivated research questions (shown in Appendix 9.1) and extant theoretical concepts (Ghauri 2004; Saldana, 2016).

The author used the initial set out operational research questions (shown in Appendix 9.1) to openly explore the data and employed a 'theoretical sampling' approach in the sense that it followed the emerging insights (by openly comparing the similarities and differences in the collected data) as to why the grafted knowledge was not transferred to ask new questions guiding the search for related or new surprisingly discovered evidence (Corbin and Strauss, 2008). Although this approach is primarily associated with theory development, it was drawn on to allow for a flexible data collection and analysis, in contrast to pre-defined samples based on theoretical gaps, but to discover new insights by asking new questions and following the trail of the new interesting insights to be able to explain the interesting phenomena in focus (Corbin and Strauss, 2008). This involved openly coding and visual mapping the data to identifying the ex-ante perceptions of the challenges by the actors, the

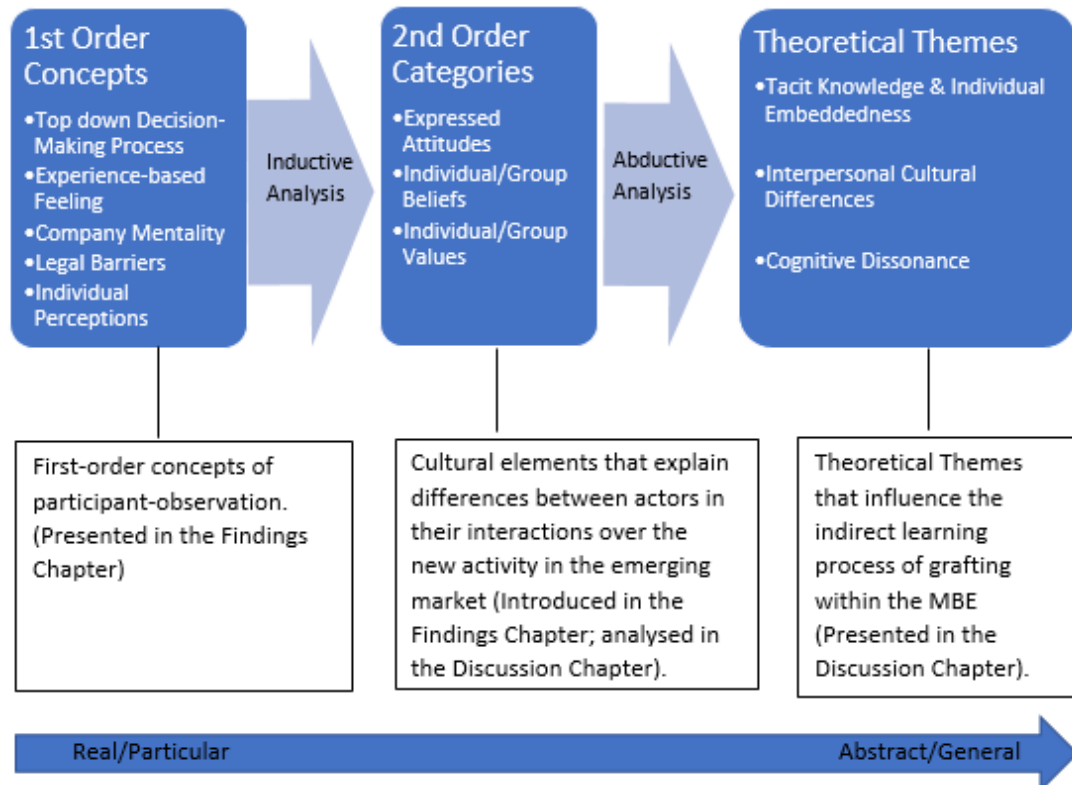
evolution of their perceptions, the managers' norms and logic for actions, and the responses to the new knowledge to learn how to address the different market conditions and knowledge gap. The open coding process allowed the researcher to incrementally link the informants' language and terms to numerous emerged codes, to gain a deeper insight into the different dimensions of the data.

After having 'split' the data by employing first cycle coding methods, the number of codes was reduced by consolidating the numerous codes into first-order concepts, by examining the differences and similarities of the numerous emerged codes to 'lump' and categorise them together to start getting an idea of the numerous activities and 'what is going here' (Saldana, 2016; Gioia et al., 2013). The author also ordered the evidence in tabular form to identify these concepts, as shown in Appendix 9.5. As shown above in Figure 5, this study identified five first-order concepts as 'thick description' that were identified from the informants' views and participant-observation in the evolving narrative, which affected the ability to transfer experiential knowledge on a managerial level. The first-order concepts that emerged from the evolved case study narrative (as shown in Chapter 4) are: #1 top-down decision-making process; #2 experience-based feeling; #3 company mentality; #4 legal barriers; and #5 individual perceptions.

Subsequently, as the author became more familiar with the data, the author induced second-order categories from the value coding process paired with the theoretically motivated research questions to gain a deeper theoretical understanding of 'what's going on here'. These second-order categories were induced in pursuit of searching for a deeper theoretical explanation of the discovered surprise that can explain as why the grafted experiential knowledge was not transferred effectively (Dubois and Gadde, 2014). The value coding enabled the author to identify which cultural elements (attitudes, beliefs and values) and the cultural difference between the managers which affected the ability to transfer experiential knowledge between the managers. As shown, in Appendix 9.6, the value coding was particularly useful to identify the impact of culture as revealed by the natives along the process in the natural research setting, and enabled unpacking of how culture manifested in terms of values, attitudes and beliefs at the individual level. This in-depth insight was simultaneously used to look for 'useful theories', as explained more in-depth below, to explain how and why these interpersonal cultural differences had affected the ability to

transfer and absorb experiential knowledge on an individual level and to eventually absorb it on an organisational level.

Figure 5. Data Analysis Structure (Author, 2017 drawing on Gioia et al., 2013)



The second-order categories of the expressed attitudes, beliefs and values were used to search for useful theoretical perspectives and concepts and the suggested causal connection and mechanism to create ‘tentative answers’ to explain how and why the process sequences were impacted by the identified second-order categories to ultimately abductively emerge theoretical themes that capture the sensitised theoretical understanding (Bello and Kostova, 2012; Miles et al., 2014). In other words, these second-order categories emerged to capture the larger narrative of ‘what’s going on here’, i.e. to search for a deeper explanations that move beyond the descriptive first-order concepts to move along ‘the ladder of abstraction’ to eventually be able to develop an explanation beyond the particular case – “what is this a case of” (Tsoukas, 2009:298 cited in Langley et al., 2013:8).

Admittedly this data analysis process was reiterative, and the second-order categories were induced from the data, but then used to search and match the findings with ‘useful theories’ that enabled to gain a deeper understanding of the case, and to abductively emerge

theoretical themes that sharpen the existing theoretical understanding based on contrasting the emerging understanding *vis a vis* the extant theoretical understanding, as will be explained more in-depth below in section 3.5.3 and was carried out in the discussion of the emerged themes in chapter five (Dubois and Gadde, 2002:559).

This reiterative process of going forth and back between the findings and the potential ‘useful theories’ to align the theoretical pre-conceptions with what was actually discovered, to expand the understanding of both the empirical case and the theory that can explain the evolution of the case study process, mirrored what was labelled as the ‘systemic abduction’ approach according to Dubois and Gadde, (2002, 2014). For example, the gained insights were matched with useful theoretical insights from the knowledge-based view, namely the absorptive capacity which had stressed that in order to truly understand whether knowledge is effectively transferred needs to examine both the characteristics of the sender and the receiver, their relationships (e.g. in terms of cultural differences) between each other (Minbaeva et al., 2003, 2014; Song, 2014; Michailova and Mustaffa, 2012). This analysis process revealed that the underlying cultural differences between the senior managers and the grafted manager manifested in different values, attitudes, and beliefs which could explain how and why they had different perceptions and understandings of the situations they faced along the process, in a way that constituted a pattern that affected the ability to transfer and employ the grafted experiential knowledge over time (Langley et al., 2013).

Additionally, it is important to outline is that this data analysis and emerging data structure (shown above in Figure 5) does not represent the linkages among the second-order categories and theoretical themes that can explain how and why the process unfolded, but instead provides a visual overview of how the empirical data evolved to the theoretical themes by “stepping up” –i.e., abstracting away from the empirical observations to transcend the particular reality to the theoretical themes (Gioia et al., 2013), which served as the basis to develop a process-based understanding in the gestalt of a process diagram as shown in Chapter 6.

3.5.3 Problematisation and Matching

The coding process enabled the author to familiarise with ‘what’s going on here’ to abstract the data from the empirical context to search for conceptually relevant insights (Alvesson

and Kaerremans, 2007). The coding process itself, however, neither facilitated refinement of the extant theoretical understanding and explanation nor generated a process understanding. After the first-order concepts and second-order categories were emerged iteratively between the evolving case and the coding process, the author consulted the literature to match the emerging complex insights with complementary potentially useful theories and that can help explain the process; in order to gain a deeper understanding of 'what's going on here', and more importantly to assess whether there was a 'breakdown' or 'mystery' discovered which can be interesting to advance the theoretical understanding (Alvesson and Kaerremans, 2007; Dubois and Gadde, 2002). The previously identified literature that served as 'preconceptions' in the data collection was intentionally kept brief to avoid "putting blinders on", which might lead to confirmation biases (Gioia et al., 2013:21). Yet, the 'mystery' emerges based on the 'breakdowns' and 'doubts' in understanding between the researchers pre-understanding informed by learned theories and concepts (including the attempts to match them to gain a deeper understanding) and the empirical observations that guides the discovery of mysteries to problematise and refine our extant theoretical understanding (Locke et al., 2008; Pettigrew, 1997; Alvesson and Kaerremans, 2007). Therefore, an increasing familiarisation with the literature was critical to detect an interesting mystery.

The theoretical foundations guided the search for novel insights based on current understandings in the extant theoretical literature (Lock et al., 2008). They enabled the author to examine theoretical frameworks and steered the interpretation of the findings in terms of which elements may be important, and the suggested relationships among the elements (Dubois and Gadde, 2002). However, in contrast to deductive approaches, as stated previously, the theoretical foundations were evolved based on contrasting the newly and unexpected discovered insights in the case study with the extant insights in order to develop a refined theoretical understanding from the particular case. This 'matching' was carried out in relation to research questions which were refined based on the emerging insights as shown in Appendix 9.1. This technique enabled the study to challenge extant theoretical assumptions (of constructs and concepts) in extant theoretical understandings and to abductively refine our theoretical understanding, based on the conceptual insights emerging from the empirical reality of the particular case (Dubois and Gadde, 2002).

After the initial insights in terms of categories had been emerged, the study explored a number of pre-existing theoretical literatures along the data analysis process in order to gain a deeper theoretical understanding of 'what is this a case of' and to 'problematise' the current theoretical understanding *vis a vis* the insights gained from the case study (Tsoukas, 2009:298). The author followed the guiding principle of abduction set out by Pierce (1978 cited in Alvesson and Kaerremann, 2007:1269). Namely; 1) to apply the theory to the 'breakdown' (unexpected) insights of the case to see if the gained insights fit the existing theoretical understanding, and if that is not the case it becomes potentially interesting, 2) to discover a surprise in light of the expected theoretical explanation of the empirical phenomena, and 3) these imaginative search for a new refined explanation that can explain the empirical 'mystery' that was previously not explained. In this case the author was trying to place the case story of how and why the grafted manager affected the firm's internationalisation process with the existing theoretical insights to search for such a 'mystery'.

Initially, the initial broad theoretical framework was composed of the institutional-based view, the knowledge transfer literature, and the micro foundations, which evolved to a more narrow focus to draw on the knowledge transfer literature, and on the theoretical constructs (absorptive capacity) within this literature in order to 'problematise' the extant theoretical understanding based on the insights of the particular case study. Despite the initially promising prospects, the evolving case revealed some empirical surprises that did not fit the theoretical frame and explanatory power of the theoretical concepts, which led to a search for new complementary theoretical perspectives that would enable the author to gain a more comprehensive understanding of the discovered surprise (i.e. that the grafted experience-based knowledge was not effectively transferred effectively between the managers).

Over time, the author learned that the case study findings were more relevant to refine the theoretical understanding of how and why cultural differences within the firm impact its ability to absorb grafted experiential knowledge to be able to close the knowledge gap in an expedited manner to be able to expand to a culturally distant context. The increasing familiarisation with the literature and the data in a reiterative manner during the analysis process allowed for recognition of the limited scope of the knowledge transfer literature and its inability to explain the internationalisation process sequence; and it was, therefore, not 'interesting' (Davis, 1971 cited in Alvesson and Kaerremann, 2007:1266). As a result, when it

did not 'match' the case study's evolving insights, the author changed the theoretical literature and the analysis of the case study changed accordingly (Alvesson and Kaerreman, 2007; Dubois and Gadde, 2002).

Consequently, the evolving case study insights were matched with the insights of the knowledge-based view of the firm and the Uppsala internationalisation process research in regard to well known, but rarely explored indirect learning process practice of grafting. This practice has been widely accepted in the literature e.g. Forsgren (2002) but has not been sufficiently explored at the individual to understand how and why it impacts the firms learning process when expanding into a culturally distant context. It was an 'interesting' 'mystery' since it enabled to challenge extant theoretical assumptions underlying the prevailing theoretical understanding (Alvesson and Kareeman, 2007). These theoretical perspectives allowed the author to guide the search for relevant evidence in the case study data to gain a deeper understanding of the empirical case and to start to understand the discovered surprises. However, instead of confirming them, the rich data in the case study allowed to 'breakdown' and to contrast the gained insights against the current understanding, which enabled the researcher to 'problematise' current assumptions in the theoretical constructs and concepts (absorptive capacity) of how and why firm was not able to absorb the experiential knowledge.

This evolving theoretical framework driven by the discovered 'mystery' lead to a refinement of the theoretically driven research question into three sub-research questions to redirect the direction of the study, as shown in Appendix 9.1. The refined research questions were used to sharpen the evolving insights of the case study even further, to abductively emerge the three theoretical themes that capture the three refined theoretical understanding (shown above in Figure 5). The refined research questions were namely:

1. What is difficult about transferring experiential internationalisation knowledge?
2. How do interpersonal cultural differences affect the transfer of experiential internationalisation knowledge?
3. How and why do interpersonal cultural differences impact the organisational absorption of experiential internationalisation knowledge?

Addressing these three sub-research questions allowed the author to abductively emerge three refined theoretical themes, as shown above in Figure 5, to develop a sensitised understanding of how and why experiential knowledge was not transferred based on three complementary theoretical insights: 1) knowledge tacitness and individual embeddedness; 2) interpersonal cultural differences; and 3) cognitive dissonance. These will be discussed in the findings in chapters 5 and 6. The first theme emerged by ‘matching’ the extant insights into the tacit nature of experiential knowledge in the knowledge-based view of the firm to explain the challenges in transferring tacit experiential knowledge. It was complemented by the revealed individual embeddedness in the individual cultural attributes that complicated the ability to transfer experiential knowledge. The second theme emerged by ‘matching’ the findings with the theoretical insights of the absorptive capacity concept, which helped refine it by revealing that interpersonal cultural differences between the sender and receiver affected the transfer of experiential knowledge in the firm’s expansion process. The third theme emerged to explain how and why intercultural differences impeded the ability to absorb experiential knowledge from an individual level to the organisational level by postulating a theoretical mechanism that was reoccurring over time. The author drew on the insights of psychological literature into cognitive dissonance, to explain the missing link of how and why these interpersonal cultural differences on a managerial level impacted the firm’s ability to absorb experiential knowledge, to match the revealed surprise with the a more refined theoretical understanding of how and why experiential knowledge may not become absorbed at the firm level.

The evolving search for ‘useful theories’ and constructs to explain the emerging empirical observations allowed the research questions to be reformulated and the focus of the study to be redirected. The continuous contrasting process of the extant theoretical constructs and understanding against the case study story and surprise, which extant theory could not explain, allowed the thesis to problematise extant theoretical assumptions and constructs to then refine those constructs based on the discovered ‘mysteries’ in the case and context (Alveson and Kaerremann, 2007; Alevesson and Sandberg, 2011; Dubois and Gadde, 2014). In other words, the case study story allowed the author to refine understanding of the constructs based on the story - the context of the case study narrative - in which these theoretical constructs have been embedded; thus the story refines our theoretical understanding of what elements (the constructs), and how and why the constructs affect the

process sequence over time (Dubois and Gadde, 2014). This 'matching' process, comprising contemplating different theoretical foundations as the 'theoretical platform' to refine theoretical understanding based on emerging insights along the data analysis process, was critical, since without such a theoretical platform the findings could result in empiricism and pure description (Dubois and Gadde, 2002). The continuous 'matching' process, in turn, allowed greater selectivity of relevant data for the case study story, allowing it to create a parsimonious and logical theoretical explanation (Dubois and Gadde, 2002).

This abductive process of going forth and back between extant theory and empirical findings, hence, allows the researcher to identify relationships and connections between theoretical concepts to generate more context-specific explanations (Dubois and Gadde, 2014). This approach was more suitable to search for an explanation of the unexpected surprise that allows to 'problematise' the current theoretical understanding, and then to work "backward to invent a plausible world or a theory that would make the surprise meaningful" (Van Mannen et al., 2007:1149). This approach was well-suited to discover new relationships between existing theoretical concepts to sharpen the existing theoretical understanding based on contrasting the emerging findings with the theory along the research process (Van Mannen, et al., 2007; Dubois and Gadde, 2002, 2014). This enabled the author to refine the existing theoretical understanding to explain how and why the process had unfolded in the way it did, and to explain how and why the grafted knowledge was not transferred and absorbed effectively rather than trying to invent new theories as classical grounded theory pursues (Dubois and Gadde, 2002:559).

3.5.4 From Grounded to Process Theory

After having established the data structure as shown in Figure 5, the data analysis needed to move beyond its static nature, from the abductively refined theoretical themes based on the story-telling to a dynamic process-understanding, in order to be able to refine the causal connection and the theoretical 'generative mechanism' (i.e deeper theoretical reason) that can explain how and why the events unfolded over time beyond the particular case, to move from the description of a pattern to an explanation of the process (Pentland, 1999; Morais, 2011; Langley, 2009; Langley et al., 2013; Bello and Kostova, 2012). According to critical-realism the ultimate goal of process analysis is to "go beyond describing patterns of events to identifying the (deeper) mechanisms driving these patterns", and the identification of this

deeper mechanism is critical to comply with international business research's drive to create new theoretical insights that are transferrable, to drive theoretical development (Dawson, 2003, cited in Welch et al., 2014:5; Langley, 2009; Morais, 2011). In order to move to a process-based understanding that creates transferrable theoretical processual insights, the author relied on the abductive theorising approach introduced by Peirce (1958) and advocated by Langley et al. (2013), Alvesson and Kaerremann (2007), Van Mannen (2007) and Locke et al. (2008) to develop a theoretical mechanism-based process explanation, as outlined above, and visualise the emerging dynamic understanding that illustrated the relationships between the emergent themes in a visual (process) diagram.

After having identified a pattern in the process sequence, and abductively developed refined theoretical themes from the data and the existing theories to solve the mystery, which one theory alone was not able to explain, this study relied on abduction reasoning to create a process account that could capture the revealed dynamics in the learning processes on the lower level to explain how interpersonal cultural differences within the firm prevented the grafted experiential knowledge from being transferred and ultimately absorbed at the firm level, to theorise the impact on the learning process that are driving the internationalisation process (Welch et al., 2016).

As explained above, the thesis employed the 'temporal bracketing' technique, which allowed identification of the comparable units of the analysis within the data - i.e. the managers within the firm, and changes in the event sequence along the longitudinal data - to split the data into phases of the process according to the gathered understanding, to then identify 'inconsistencies' in the flow of events. As shown in the finally evolved case narrative in the findings chapter, the author divided the process into four distinctive phases in order to identify specific reoccurring events, i.e. not learning from the grafted manager, and searching for an underlying theoretical mechanism that drives the process i.e could explain why the managers could not, absorb the experiential knowledge to explain how and why the event sequence unfolded over time (Pettigrew, 1997; Langley, 1999; Langley et al., 2013). This technique of 'temporal bracketing' facilitated to identify a pattern, and the abductive refined theoretical themes, which were ordered according to the temporal order in the narrative, enabled the author to understand the impact of the refined theoretical themes across the process to derive, what is referred to as, a 'generative mechanism' (i.e. "the term mechanism describes the notion of capturing elements of an explanation that process theorist

mobilises”(Langley, 2009:419) which is a creative and imaginative process of creating a deeper theoretical explanation) that solve the ‘mystery’ and the driving forces for the process sequence which lead to an outcome (Alvesson and Kaerremann, 2007; Locke et al., 2008; Tsoukas, 1989 cited in Langley et al., 2013:7).

Having ordered the abductively emerged insights in the temporal order to explain the process sequence, this abductive analysis process enabled the author to capture the ‘generative mechanism’ that could explain why the experiential knowledge was not transferred on a managerial level within the identified phases (Langley, 1999). The abductive analysis yielded three insights (as revealed in the three themes which were used to identify this ‘generative mechanism’). The first theme tacitness and individual embeddedness illustrated that the valuable knowledge was tacit and embedded in the managers’ values, attitudes and beliefs, which made it hard to codify and transfer the knowledge on a managerial level (which impeded the transfer of implicit experience-based knowledge at the beginning). The second theme interpersonal cultural differences illustrated that the interpersonal cultural differences had created cognitive differences which shaped the perception of the challenges, new knowledge and new ideas of how to address these challenges which impeded the ability to transfer knowledge amidst an unforeseen new challenge. Combining these insights, with the final theme of cognitive dissonance the abductive analysis yielded the novel mechanism i.e. theoretical insight that the individual managers were intrinsically motivated to ignore new knowledge and information which were either explicitly or implicitly contrasting their own values and beliefs, and to maintain their ignorance of potentially valuable experiential knowledge, as a means of avoiding psychological distress, which would arise when they were confronted with knowledge or ideas that are either explicitly or implicitly linked to values, beliefs and actions that contradict their own. This abductively emerged ‘generative mechanism’ enabled the author to explain the underlying driver for the event sequence and outcome to move to a process-based explanation that allowed this study to refine the theoretical understanding of how and why grafting might - or might not - serve as an indirect means to expeditiously acquire salient experiential knowledge.

This theoretical understanding was used to create a process map illustrating the refined theoretical understanding of how grafting affects the firm's learning process to overcome the knowledge gap. The diagram depicts the interpersonal cultural differences within the firm in terms of expressed values, individual versus group beliefs, and individual values versus group

values, and how (casual connection) these differences shaped the limits of those involved to recognise the value of potentially useful experiential knowledge, as a (mechanism) preventing it from being absorbed into the minds of the managers within the firm. This novel dynamic insight was best represented in the process visualisation (shown in chapter 6), in order to set the new insights into motion and provide a dynamic explanation of how interpersonal cultural differences may impede the ability to transfer experiential knowledge within the firm and the impact on the firm's internationalisation process over time.

Overall, the abductive theorising approach enabled the author to identify theoretical perspectives that can be combined by using the particular case study insights to refine theoretical understanding of 'what is this a case of' (Langley et al., 2013). This step was critical to "climb the ladder of abstraction by inferring the general theoretical phenomenon of which the examined case study is a part" (Ven den Ven, 2007, cited in Langley et al., 2013:8), and therefore can contribute to a more abstract and generalisable theoretical understanding (Langley et al., 2013). The abductively identified theoretical processual insights were visualised in a diagram (shown in chapter 6), which incorporated the open-ended nature of learning in the internationalisation process, and which does not have a final stopping point, since "firms are continuously in state of becoming" (Langley et al., 2013:5, cited in Vahlne and Johanson, 2017:1088), to move away from the outcome-focused studies at particular points in time. This process understanding enables research to advance theoretical understanding of how the indirect learning process of grafting affects those learning processes that drive the evolution of the firm's internationalisation process. Accordingly, previous internationalisation process (outcomes) are seen as inputs, to determine the firm's future absorptive capacity; this diagram therefore theorises how and why past experiences and events of individual managers shape their perceptions and interpretations to provide a dynamic process understanding and explanation of how and why interpersonal cultural differences within a firm may limit its absorptive capacity to be able to absorb potential valuable knowledge from a culturally distant context. This process theorising approach thereby enhances theoretical understanding of how and why the indirect learning process of grafting to indirectly acquire salient experiential knowledge in an expedited manner may not reduce a firm's knowledge gap, and therefore, may not accelerate its internationalisation.

3.6 Limitations and Self-Reflections

Conducting a single in-depth case study bears limitations for the generalisability of the findings. This study has been conducted in one department within a single MBE and its findings are based on the particular informants and insights created within their particular contextual conditions (Westney and Van Maanen, 2011). Specifically, the author relied on a number of key informants to gather the insider view and was not able to interview every manager involved in the expansion process. The key managers who were also the decision-makers were identified, though, to gain rich and meaningful data.

Moreover, the author had embarked on ethnographic field research in an MBE by gaining access to individual managers, which is rare in international business research (Chapman et al., 2004). The author developed a close working relationship with the grafted manager over the course of the six months. Having started as an outsider, the 'intern', I became part of team meetings, business trips and was even involved in preparing information to make strategic decisions. Working closely with an individual from different culture, raised in a different environment from the one the author was familiar with, allowed the author to experience the cultural impact on the perception and behaviour of that particular individual. Whilst building a strong relationship allowed for rich data the author had to distance himself from the accounts of the social actors, and explored how and why the accounts and the agency could be explained by underlying social structures - the cultural dimension that governs individual behaviour, consistent with critical-realism.

The lack of clear qualitative research standards (Dubois and Gadde, 2014) and the non-linear process of abduction to deal with the messy process data was challenging. A key issue within the data analysis process was to gain the confidence to depart from the extant constructs and understanding, to draw on one's own understanding of the case, to challenge these standards. The assumptions were taken for granted by the author due to their prominence in theoretical understanding, in which they were read as though they constituted technical literature to prepare for data collection and analysis. For instance, seeking to explain how culture impacts social processes such as learning was very challenging since extant theoretical understanding in international business tends to analyse culture aggregated at the firm or national level (Caprar et al., 2015). Departing from the acquired understanding of how and why culture affects internationalisation as suggested by the extant literature proved

challenging, since the researcher had to depart from dominant theoretical perspectives in international business. In hindsight, the author should have engaged earlier with readings on the abductive process-research approach to be aware of the non-linear journey and be less reluctant to engage in wider reading along the data analysis. This would have made it easier to be able to redirect the focus of the study in pursuit of challenging and refining the theory, rather than trying to rely on grounded theory to inductively create a new contribution. The data collection and data analysis in the above-described fashion, therefore, has been neither straightforward nor easy for the author.

3.6.1 Ethical Considerations

The data used in the case study is considered strictly confidential and has been anonymised in order to maintain confidentiality in accordance with the ethical guidelines postulated by the University of Edinburgh in 2018. The thesis research was ethically approved by the University of Edinburgh Business School and the data collection was carried out in an accordance with the confidentiality clause of the company, and the non-disclosure agreement between the University of Edinburgh and the Company. The participants in the study verbally agreed to participate and in order to avoid any repercussions on these individuals based on their statements, the Name of the Company and the name of the informants were anonymised. This allowed for greater openness in responses although it up to them what type of information they wanted to share, whilst allowing the confidentiality of the overall conglomerate to be maintained.

The study was not funded by the company or the University and there was no pressure or conflict of interest that could have impacted the findings of the study. Access was negotiated by the author alone, which was a major hurdle in order to obtain the rich data base. In order to obtain the rich data, the author had requested an absence for six months to embark on the ethnographic journey into the field. The author was employed as an intern for six months with the company as a means to gain access to the confidential data of the ongoing expansion process that was to be carried out, but had no obligation to produce a research output towards the company.

The data that was collected has been stored securely alongside the data analysis. Given it's confidentially some are only available in paper format, such as e-mail conversations and

market-sensitive information, to protect the identity of the managers and the sensitive information from competitors. The evidence will be stored for three years after the Ph.D. has been awarded to allow for sufficient additional evidence for the external review and potential publications if deemed necessary.

A key ethical issue was to preserve the anonymity of the grafted manager as the main subject of this study. Given the critical role of the individual in postulating the process-explanation, the author has attempted to protect the identity of the manager, though it will be identifiable for those working in the company. However, given that the study sought to enhance the theoretical understanding and explanations and did not seek to attribute blame to the individuals, the voice of the single informants was preserved to warrant higher transparency.

3.7 Summary

This chapter, from grounded methodology to process methodology, summarised the methodological choices the author made and justified these in light of the explorative and explanatory research objective to generate a processual account of how and why grafting impacts a firm's internationalisation process over time.

This study adopts an abductive revelatory case study approach in order to refine how and why interpersonal cultural differences limit the firm's capacity to absorb experiential knowledge and to provide a processual explanatory account of how and why an indirect learning process can impact the internationalisation process over time. The study combines inductive data gathering and analysis techniques derived from grounded theory to avoid confirmation bias; and subsequently it was changed to abductive theorising to create a process-based explanation that yielded much more than inductive or deductive approaches, by developing a new understanding based on the contrasting of the established theoretical concepts *vis a vis* the relationships unveiled in the empirical case (Dubois and Gadde, 2002)

The single revelatory case study design allows a flexible but guided research design that generated a narrative in order to discover and gather conceptual insights based on the sequence of events. This evolving case narrative enables the author to refine the theoretical understanding by contrasting extant constructs and causal connections and mechanism *vis a vis* the identified sequence and driving mechanism of these events in the case study. Hence, the single revelatory case study moves from the particular case to search for an explanation

of how and why the indirect learning process of grafting can contribute to the broader debate on whether firms may acquire experiential knowledge indirectly to accelerate their internationalisation processes.

4 Inductive Analysis of First-Order Concepts and Second-Order Categories

4.1 Introduction

This chapter will focus on presenting the evidence for the first-order and second-order categories developed from the open data analysis in a rich narrative that emerged to address the overall guiding research question of how and why grafting impacts a firm's ability to close its knowledge gap in an expedited manner in order to successfully expand into a culturally unfamiliar host context. The data structure which illustrates how the five first-order concepts and three second-order categories emerged from the process data is shown in the methodology chapter (Chapter 3).

The findings are presented in a rich narrative which is structured into four 'events' in sequence, as shown in Appendix 9.2. In each event phase the author will outline what happened, and more importantly the "what's going on here" (Tsoukas, 2009:298), by focusing on what stimulated the knowledge transfer (i.e. the reasons why the company had grafted a manager), how effective the knowledge transfer was between the grafted manager (i.e. the sender) and the senior managers at the headquarters (i.e. the receivers), and the outcome of the knowledge transfer (i.e. whether the grafted knowledge had become absorbed in the firm's knowledge base to overcome the knowledge gap in an expedited manner to be able to successfully expand into a culturally-distant market). Thereby this chapter allows the author to gain a deeper understanding of the case, to search for a theoretical explanation as to why the process unfolded the way it did over time, to ultimately abductively develop a theoretical understanding of the particular process that can speak beyond the particular case to sharpen the theoretical understanding generally of how and why grafting enables a firm to close its knowledge gap in an expedited manner.

4.2 Event Sequence 1: Origin of the Hub Project (February 2015 - March 2015)

4.2.1 Event Description:

Table 2. Timeline: MBE's Activities in the Host Market - Egypt

Time	Event
1969	MBE's market entry into Egypt via exporting.
1982	External Agent signs the export commission agreement.
2004	Grafted Manager joins MBE in Egypt as National Sales Manager.
2004	Grafted Manager is the National Sales Manager in Egypt for 8 years.
2008	Establishment of wholly-owned legal entity, including product registrations.
2012	National Sales Manager is transferred to the internal consulting team located at headquarters in Germany, for 3 years.
January 2015	MENA Marketing and Sales department is separated from Europe based on grown market size.
January 2015	VP MEA is promoted. Grafted Manager is promoted to Regional Sales Director for the MENA region.
February 2015	From a strategy workshop, the idea of the hub emerges.
June 2015	Assessment of the potential locations is carried out.
December 2015	Recommendation and explanation of hub location in Egypt is proposed to the Board of Directors.
January 2016	Board of Directors is tasked with deciding how to proceed.
July 2016	Board of Directors receives Board Proposal, and wants to go ahead with the establishment of the hub.
September 2016	The MBE takes a Board decision to freeze the hub project, based on the regulatory uncertainty and open question of whether they are able to repatriate the local profits.
December 2016	An alternative solution of creating non-exclusive external distribution contracts with existing trading customers is implemented.

The company has been present in Egypt since 1969, as shown in Table 1. After having operated via a classic export sales model through an external agent, the MBE established a wholly-owned local marketing and sales office in 2008. The wholly-owned subsidiary operated as an internal agent to promote and sell products on behalf of the headquarters in

Egypt. In other words, the MBE has been relying on the export business model successfully since 1969, except for using an internal office to promote the products and negotiate the quantity and prices since 2008 rather than relying on an external agent.

The population growth and increasing discretionary income in the emerging markets such as the Middle East and North Africa region (MENA) provided further growth opportunities for the company. The firm had established a global presence in most emerging markets, such as China and South America, but it had not penetrated the MENA region. The MENA region was, therefore, regarded as a strategically important geographic area due to strong population growth, and increasing meat consumption per capita supported by the strong economic growth rates. Overall, the company has been dynamically growing the sales (13% per year, 2008-2014) and considered the MENA as its most important business area in the fast-growing [Industry Name] business; the company set itself the aim of achieving organic growth above the average GDP growth rate.

Based on these ambitions the Board of Directors and senior management were keen to further expand the sales operation in the MENA region in order to realise the corporate growth targets. According to the Managing Director for Finance (MDF), the firm was keen to enter and penetrate the emerging markets in this business line:

“These [emerging markets] offer high growth potential and potential first-mover opportunities and that’s why emerging markets are playing an important part, and we are saying strategically we want to be in these markets.” [Translated from German] (MG I, 2016)

The Senior Vice-President for Marketing and Sales (SVP) explained:

“Emerging markets [...] are countries which have the highest growth potential. This means they are very important for our growth strategy, since if we are looking to Europe there is a bit of growth but that originates from Russia and these countries and the growth does not occur in Germany or France and in these traditional markets or the USA they are flatliners.” [Translated from German] (AP I, 2016)

As shown, the SVP explained that the attractive and promising growth rates in the emerging markets are in contrast to other developed regions, which made emerging markets such as the MENA region particularly relevant for the accomplishment of their growth strategy and achievement of annual profit goals (AP I, 2016). Emerging markets were strategically seen as important to be penetrated and the Board was keen to actively invest in them (MG I, 2016;

HR I, 2016). Accordingly, the Board focused on investment opportunities in the emerging markets, including the MENA region, as a “*new region*”, expecting substantial yields of up to double digits (HR I, 2016; MC I, 2016; MG I, 2016).

In 2015, the MBE attributed increasing economic importance to the MENA region to improve the firm’s sales volume and profitability. As shown in Table 1, the regional department structure was amended, and a new marketing and sales team was established especially for the MENA region at the headquarters. The previous Vice-President for Europe was promoted as the new VP for the Middle East and Africa (MENA) region, due to his extensive experience in the MENA region (over thirty years), during which he had established a warehouse in South Africa, which was deemed to serve as a blueprint for the market penetration and evolution in the MENA region (Field notes, 2016).

In spite of the VP’s experience, the senior managers and the Board of Directors were aware that they lacked the relevant market-specific knowledge and understanding about the region to be able to successfully penetrate markets in the MENA region. For instance, the VP MEA explained that the Board was keen to penetrate these markets in the MENA region now to avoid lagging behind as they had done in China fifteen years ago, and thus were keen to recruit someone who could provide this missing knowledge:

“Yes, they [the Board] have told me, we want to employ someone who has the knowledge that we in the management do not have. So we are actively seeking to go ahead in the emerging markets in order to avoid lagging behind as we did in China ten or fifteen years ago. There we had waited too long [...]. These are markets which we do not understand based on the daily business, so we have to let people manage it who are confident that they can handle it, willing to travel and go along with the rest.” [Translated from German] (HR I, 2016)

As shown, the VP MEA and the Board had been aware of the fundamentally different market context with which they were less familiar; they recognised that they had knowledge deficits regarding the emerging markets in the MENA region. They decided to hire people who had experience in these countries to be able to manage these different conditions. Accordingly, the company increased the local staff from a total of three sales managers to four sales managers and three technical sales managers to a total of seven employees, as additional resources to penetrate the MENA region markets, from 2007 to 2016. More importantly, to address the knowledge deficits among the superior managers at the headquarters, the company promoted the previous National Sales Manager (NSM), hereafter referred to as the

grafted manager, to become the regional sales director responsible for leading the MENA sales operations. The grafted manager was Egyptian and had played a pivotal role in developing the sales operations in the markets as the NSM for four years (2004-2008) into a sizeable and very profitable market for the company. The grafted manager worked for the MBE as the NSM and as the general manager (GM) in Egypt for eight years. As shown in Table 1, he was relocated to the headquarters in 2012, where he worked in the internal consulting department in Germany at the headquarters for three years.

The VP MEA elaborated that he had promoted him to become the team leader for the MENA sales team since the new grafted manager possessed the required linguistic, cultural and market-specific know-how gained through experience. Specifically, the VP MEA stressed that this experience-based knowledge would be harder to acquire for a foreigner and that therefore the company ought to take advantage of this know-how. The VP MEA stated:

“This [access to knowledge] was the reason for why I choose him [Grafted Manager’s Name] as the team leader for the Middle East and North Africa. I had to be weird to claim that I know how to navigate things better as a German - that is not possible [...] We need to believe in our employees and he [Grafted Manager’s Name] knows us by heart, and he will need to learn too [...] But why should one of us try to understand the culture and the market, if he is from there and has this experience already? It would be stupid not to do it [...] We have one in our team [Grafted Manager’s Name]. We are more familiar with the language; we are able to read in the local language; we are a step further. So why should one continue to have a German lead this? We have to take advantage of the local knowledge [...] We need to take advantage of the knowledge.” [Translated from German] (HR I, 2016)

As shown, the grafted manager was seen as a key resource to have access to the required cultural and market knowledge including his linguistic abilities (Arabic), which the senior managers at the headquarters did not possess. This access to the cultural and market knowledge was deemed essential to expand further in the MENA region, especially since it would be harder for a foreigner to acquire this implicit knowledge compared to someone who grew up in the market and had already acquired the relevant experience-based knowledge of how to operate in more volatile markets.

4.2.2 First-order Concept #1: Top-Down Decision-Making Process

In February 2015, the top management (the Board of Directors and the senior managers) decided to embrace a renewed global sales strategy within the business line in order to

improve its overall profitability, with a strong focus on capturing growth rates in emerging markets. A strategic workshop was hosted to gather ideas of how to implement the renewed sales strategy in the respective regions. During this workshop, the regional sales teams brainstormed and gathered ideas on how to implement the renewed sales strategy. These ideas were consolidated into official strategic improvement projects that were formally agreed to be implemented in order to upgrade the sales performance. The grafted manager explained the background of the project as follows:

“Yeah, this was, we had a meeting in February 2015, where the management decided with the global [Department Name] team that we want to embrace [Strategy Name] [...] And within the [strategy name] we want to develop our approach to the customer so they see value from us, but also internally we want to develop and upgrade our performance, yeah? So, the projects, every region was asked to brainstorm and come up with different ideas. And then break down these ideas or consolidate the ideas to come up with two or three projects. In our region we had a workshop, we put many ideas, we discussed them together, then we consolidated the ideas, then we came up with three projects. One of them was to investigate the feasibility to have, ehh, a logistics hub in the MEA region. So this was the background.” (AH I, 2016)

As shown above, one of the improvement ideas that emerged from the workshop was to establish a logistics hub in the MENA region. The idea had already been suggested by the NSM two to three years before, but was ignored by the senior managers who did not perceive an immediate need for such a hub, based on the satisfactory sales performance following the motto *“why fix it if it’s not broken”* (MH I, 2016). Both the grafted manager and the NSM considered the start of the project as a total *“coincidence”* based on the top-down imposed decision to embrace the renewed sales strategy to improve the financial performance. The NSM explained that his idea had been previously ignored by the senior managers although he foresaw a need for such a hub, but that the workshop and respective top-down pressure to embrace the renewed strategy suddenly enabled him to successfully propose the idea and to assess the feasibility of such a hub:

“Well, exchange work happened at the beginning, when I talked to the people in Dubai, [Employee Name], and that was in the presence of [GM Name] our office manager, and maybe the Vice-President at that time [VP Name], and at that time I got this feedback - is it a need or a must? [...] At that time it was, you know, not a must, but it was something ... and nothing happened. I was informed it is a must or an additional option. I told him maybe it is an additional option right now, but when it comes to be a need it will be already too late. You see the difference?! Because our competitors are ready for this, and with the political instability we do not know how the currency is moving and we will be stuck. I mean you either lose your customers, because they are not able, they are not interested, they lost the

intention to import or they are not able to pay, in both cases we will lost our business. But if we have solutions, we have local stock and offering in local currency then we are giving them options same like our competitors [...] For almost two to three years. Unless we started to have this, really [...] one of our training seminars and by total coincidence out of the seminar we tried to come out of this seminar with ideas, and I had this chance to offer [...] and my idea got the best rank [...] So other people's projects were actually very light. I mean compared to this hub issue, it was really a real something on the ground to do that. Others were another kind of e-training, so they made [Service Name] train, and other people have some idea to establish a database for something.” [Translated from German] (MH I, 2016)

As shown, after the idea had been ignored for three years, it was accepted as part of the strategic workshop as it offered a significant improvement potential compared to the others which were mostly focused on trainings. The grafted manager explained that he was not in favour of the idea, due to some personal concerns with the company's ability to handle the market conditions in the MENA region and respective concerns that the company would be able to establish such a hub. These concerns will be explored in first-order concept #2. It is important to know here that he felt “*stuck*” into the project due to the top-down decision to embrace the renewed strategy coupled with the expectation to carry out the ideas in the project to improve the sales performance. As he stated:

“It was an idea coming from MH [National Sales Manager Egypt] and in one of the workshops and we got the chance to do the project on [...] it was a coincidence, because the project was coming as part of the [Strategy Name] projects and was initiated by [Department Name], and we did a workshop with the whole team, and they came up with three projects; one of them was the hub.” (AH II, 2016)

“To tell you the truth, I wasn't really in favour of the project but I got stuck into, because of the [strategy name] workshop. And then the idea came. But from the beginning, I did not feel good about the project that it would go through. I knew the problems in Egypt were too much for the company to handle.” (AH I, 2016)

As shown, the grafted manager also considered the start of the project as a coincidence due to the top-down decision to embrace the renewed sales strategy to improve the sales performance. He was not in favour of the idea since he believed that the company was not going to be able to cope with the market conditions. Given that both managers shared this perception, it indicates that the idea was taken forward based on the top-down decision to improve the sales performance rather than the transfer of market knowledge of the NSM per se, especially since the idea has been ignored for three years. The underlying reason for its sudden acceptance seems to be due to the idea's alignment with the renewed sales strategy of seeking to reach smaller and medium-sized end customers, directly enabling the firm to

obtain better margins and to fend off increasing competition (AP I, 2016). As such when the idea was proposed to the Board as part of the strategic workshop it was seen as valuable to implement the renewed strategy to meet their growth ambitions and was swiftly accepted as an official strategic improvement project.

The top-down decision to implement the renewed sales strategy also compelled the VP MEA to explore the idea, once it was communicated to the Board, in spite of his personal concerns. As was shown above, the former VP had not been willing to explore the idea seemingly based on the perception that the sales performance was satisfactory. Similarly, as shown below, the newly promoted VP MEA had not been sure about the immediate necessity of the hub, as in his view the business performance was satisfactory and he was questioning whether he needed to change the operation:

“But business is going great. That’s why I ask myself why we need to change anything, but we need to be able to do both [sell in USD and local currency]. If it gets bad again and we have large outstanding invoices; that’s also not good.”
[Translated from German] (HR I, 2016)

As shown, the VP MEA considered the sales performance to be strong, which made him question the need for the hub. He considered the potential larger outstanding invoices as an inconvenience that needed to be addressed in the future rather than a critical issue that needed to be addressed with urgency. Further, the VP MEA had been aware that the idea had been around for two-three years, yet he doubted the necessity of the hub and considered the start of the project as result of the strategic workshop. According to him, the sales performance was excellent, as long as there was foreign currency available, which implied that his past success made him satisfied with the status quo and he was reluctant to change it. For instance, he stated that:

“Now we have initiated the project through a process, but the idea was proposed by the local managers two to three years ago. [...] We need to do this now because our competitors are doing it [selling in local currency] but as soon as the emergency availability of foreign currency eases, everything is going fine again [...] but I know from the past forty years that the normal way is to sell via a hub, we are doing this in South Africa for over thirty years [...] The time is now. We have decided to start the project last year in February. We had a workshop how to improve the logistics in the Middle East. There were different options that were put on the table and worked through.” [Translated from German] (HR I, 2016)

As shown, the VP MEA considered the project to have emerged from the workshop and that the time was now to fence off the increasing competition to safeguard the leading market

share and respective revenue. This was especially the case since the company had lost a large customer in 2015 to the competition and was seeking to penetrate the market in order to address the recent drop of revenues by 50% from 2015 to 2016 (Company, 2016b; Field notes, 2016). In spite of the increasing competition and impact on the sales performance, the VP MEA was not sure about the immediate necessity of the hub in the short term, and he wanted to do it “*step by step*” to avoid the potential risks in the future (HR I, 2016). The VP MEA explained that the NSM had been urging him to establish the hub as necessary to defend their leading market share due to temporary foreign currency shortages, and competitors’ ability to sell smaller volumes in local currency. Yet the VP MEA was not a 100% convinced. The VP MEA stated:

“We have a very high market share, over 50%, and our competitors are not necessarily companies which are producers of the [product name] but traders which established their own warehouses and are selling in local currency. This means whenever the dollars are short in Egypt, which happens quite frequently, we are excluded, and risk that we lose our market share. Thus, we need to react by starting to sell step by step in local currency [...] [National Sales Manager’s Name] is saying that we need to do it otherwise we will lose market share. I’m not 100% convinced yet, nothing in this world is 100%, but I know it is a natural development of a company such as ours to establish a hub at some point [...] But we are a bit late [...] But our global accounts [Competitors] are already doing it and they will take over our leading position and we need to learn and see how much risk we are ready to incur [...] That annoys me as we ought to be at the forefront.” [Translated from German] (HR I, 2016)

As shown, the VP MEA perceived a need for a local hub as a precautionary measure to counteract potential shortages of foreign currency in the future in light of the increasing competition who have started to sell in local currency and respective repercussions on the sales rather than as an immediate necessity. However, the idea of the hub resonated with the renewed sales strategy and the Board’s ambition to capture the growth rates in the MENA region, and as such was seen as appropriate to be taken forward to improve the sales performance (MG I, 2016). Taking this into account, it appears as the top-down imposed performance pressure triggered the decision to take the idea forward in order to improve the sales performance, which the senior managers had previously pushed back on. As shown above, the VP MEA knew from his experience that the hub would be the eventual outcome anyway, so that the top-down decision-making process had triggered the start of what would be a “*natural development*” to address the increasing competition and to improve the sales performance. Additionally, the VP MEA perceived the company as being late in starting to

sell in local currency and believed that they might as well do it now since the competition had started.

In spite of the concerns held by the grafted manager and the VP MEA, once the idea of the hub had been communicated to the Board as an official strategic improvement project, there was no going back. The idea had to be explored in pursuit of improving the sales performance aligned with the renewed sales strategy. The grafted manager explained that it was “*very difficult to back out*” from the project once it was communicated to the Board, due to the performance pressure and their expectation of wanting to explore and implement the project, so that it had to be completed one way or another:

“Once you transfer the information to the top guys, like the Board of [Business Segment Name], you cannot back up. It is very difficult to back out. So you have to go all the way until you prove to them that this is not working out.” (AH I, 2016)

As shown, the grafted manager explained that the top-down decision-making made it very difficult for them to back out. The Board expected “*to be educated along the way*” to be able to make a decision at the end (Field notes, 2016). For instance, the MDF explained that the rationale for supporting the project from the beginning was due to the alignment with their overall strategy to grow in emerging markets and prospective high returns:

“I saw it fitted to our overall strategy [...] We supported the project based on the prospect of being able to serve and penetrate the market to gain a higher market share.” [Translated from German] (MG I, 2016)

As shown, the Board was keen to implement the renewed strategy in the MENA region to improve the sales performance. As such, the top-down decision to implement the renewed strategy resulted in both the VP MEA and grafted manager being expected to participate and complete the project. This expectation was so strong that, if the VP MEA would not agree to this project and carry it out,

“Otherwise they would tell [VP MEA Name] you do not know what you are doing.” (AH I, 2016)

One of the main reasons the managers were compelled and expected to participate in the project was that the Board of Directors had imposed inflated annual sales goals from the top onto the business line which increased their performance pressure. This pressure required the senior managers to adjust their planned sales budgets and respective strategies of how

to achieve them, which exerted higher pressure on them to accomplish the strategic projects such as the idea of the hub to improve the financial performance. As elaborated by the SVP:

“What is making this [Strategy Development] more difficult is when we are getting top-down instructions which are neither in the hands of the business line or in the hands of the Directors of the segment [Segment Name]. That for instance was the case this year and will be the case next year. All that we have established together, is at the end increased with a certain surcharge by the Board of Directors on the whole company. That is of course very unpleasant. But, okay, we have to deal with it and we are doing that, but these are things which hamper the strategy development process.” [Translated from German] (AP II, 2016)

As shown by this statement, the SVP perceived the top-down instructions (which started in the year 2016) as complicating the accomplishment of the sales budget and execution of the sales strategy, since the surcharge imposed greater pressure on the managers to not spare any effort. The SVP had added the rhetorical question illustrating the high pressure imposed on him to accomplish the sales budgets:

“What do you think - what type of appeals I get if the sales are not meeting the agreed goals?” [Translated from German] (AP I, 2016)

The additional surcharge created an expectation that the formal project ought to be explored to achieve these inflated sales goals. Whilst the senior managers were aware that they could not predict future sales growth with 100% accuracy, the room for deviation from the forecast was slim since potential sales growth was taken into account by the controllers in order to predict future revenues and profits. The SVP explained:

“We are accounting for potential deviations by creating a worst, realistic, and best case scenario under certain conditions, but they cannot guarantee this accomplishment, and thus effectively they are talking about probabilities, but this uncertainty was not acceptable in the world of the controller, because they want to be able to have a volume price to be able to predict the revenue and returns.” [Translated from German] (AP I, 2016)

As shown, the revenues and profits goals were planned ahead, and room for deviation from the planned investment opportunities and planned outcomes was slim in order to meet these predictions. This top-down pressure to realise potential investment opportunities as a means to meet the inflated goals was in particular great, since the company did not only set sales goals ahead on a ten year timeline but included a detailed “*bottom-up plan*” for each region of how to achieve those goals in a very accurate, reliable and concrete way - of how the

targets were to be accomplished in terms of what resources are required for which markets over the next five to ten years. The SVP called it the “*masterplan for each region*”:

“Based on a bottom-up planning of each region in every country, not only for the next year but the next five to ten years. For instance [VP MEA Name] has a plan for the Middle East and Africa [...] and in this plan everything is included: where do I want to sell, where do I see potential markets, how do I want to proceed, what resources will I need to do so? All planned ahead. So from this perspective, it all follows a masterplan for each region.” [Translated from German] (AP I, 2016)

This thorough planning approach was indeed valued by the SVP since it provided a framework to plan and implement the sales performance. However, the long-term planning process seems to have affected the senior managers’ ability to deviate from the already-plotted project outcome, since the potential improvement idea and required resources were already accounted for in the “*masterplan*” and thus had to be delivered if the annual sales targets and forecasts were going to be met. Therefore, the transparent planning process of setting the targets on a clear timeline, and allocating the required resources and investments to achieve these, seems to have created even higher pressure on accomplishing proposed projects to achieve the inflated sales budget. Consequently, once the idea was taken on board to meet the inflated sales goals, the senior managers were under additional performance pressure to successfully explore the idea. This meant that repercussions of not creating the new warehouse would be even more severe in light of the pressure to implement the renewed sales strategy to meet the top-down imposed targets.

This wider organisational context is also important to understand why the senior managers were keen on establishing an internal distribution as the preferred business model to respond to the increasing competition and meet their growth ambitions. Both the VP MEA and SVP stressed that for them the outcome was clear based on their past expansions and experience-based knowledge about the prospective margins that could be obtained by establishing a fully-owned subsidiary, and they were keen to establish this irrespective of the market conditions. The VP MEA explained:

“So this [Warehouse] is the next step forward [...] Alternatively, we can surrender it at [Distribution Company’s Name] or a worldwide distributor to do it. Just that in my view we will miss out on the margin and the other is earning the money.” [Translated from German] (HR I, 2016)

As shown, the VP MEA considered the appropriate outcome to be the internal distribution to obtain the prospective higher margins. Similar, the SVP explained that the preferred business model was internal distribution via their own warehouse:

“With the new legislation [Name] our business model, specifically in our department, is based on directly reaching the end customer, which means that we are not able to practice the easiest option, the direct export to the end customer in the respective country [...] For us in principle there are two models or three models which are remaining. The external distribution, meaning we have an external partner in the country which is doing it for us, we are selling to him, and he does the distribution in the country. This model is only employed in a small number of cases, because it bears the disadvantage that we are actually not close enough to the customer [...] Thus the actual model which is preferred is the internal distribution involving our own people [...] usually we have our own warehouse, since if we are distributing internally we want to use the opportunity to offer smaller amounts than a full container [approximately 50 metric tons] to be sold, which has the big advantage for the client of not needing to tie up so much capital [...] So you may say why are you doing that? You are increasing the network capital for the [Company Name], yes; but naturally, we are not alone in the sector. So we are getting into direct competition with our competitors which are also starting to do so.” [Translated from German] (AP I, 2016)

As shown, the VP MEA and the SVP were both keen on establishing a wholly-owned distribution company due to the alignment with the renewed sales strategy, and their past experiences which guided their belief that it was more costly than the alternative of external distribution, but allowed them to fend off competition whilst obtaining higher margins.. This pre-fixed outcome preference was imposed on the grafted manager through the top-down decision of the senior managers from the very beginning of the project. The grafted manager, however, had been trying to change the business model to create non-exclusive (external) distribution contracts with the key accounts to manage the fragmented market and to address the increasing competition, but his idea was against the top-down preference (to obtain the higher margins) and his idea had to be put on hold. He explained that:

“No, actually this idea [of external distributions] was also a long time idea [...] for such a fragmented market like Egypt and with the challenges we see every day, it is maybe better to choose three to four distributors.” (AH II, 2016)

However, once the idea of the hub had emerged, the Board and SVP were keen to push ahead with this idea, as it was aligned with the renewed sales strategy carrying the prospect to significantly improve the sales performance. As a result, the grafted manager own ideas to create external distribution contracts had to be put on hold, as it was against the senior

managers and Boards preference to improve the sales margins significantly by establishing a wholly-owned subsidiary.

Overall, the top-down decision to embrace the renewed sales strategy enabled the NSM's idea of the hub to be taken forward as an official strategic improvement project. The idea resonated with the top-down imposed renewed strategy which provided an opportunity how to meet the ambitious growth targets so that once the idea was communicated to the Board backing out was not an option. The Board was keen on carrying out the project to implement the renewed sales strategy to significantly improve the profitability to avoid lagging behind with the market penetration as they had done in China fifteen years ago. This top-down pressure, therefore, compelled the grafted manager and the VP to explore the idea of the hub in spite of the personal doubts about how feasible or necessary it was in the short term.

4.3 Event Sequence 2: The Assessment of the Hub Idea (March 2015 – December 2015)

4.3.1 Event Description:

After the idea had been taken forward as an official strategic project of how to implement the renewed sales strategy in the MENA region to improve financial performance, the formal assessment of the investment opportunity was initiated. According to the company decision-making guidelines the project had to be ultimately approved by the Board of Directors, because the required investment that was needed for the establishment of the new entity amounted to over one million euros (AP I, 2016; MG, 2016). Given this considerable amount, the Board of Directors were expecting a thorough and comprehensive assessment before a final decision on the hub project could be made. As explained by the SVP, ultimately, the assessment results were going to be presented *“to the best to our knowledge and with a clean conscience”* (AP I, 2016) to transparently provide the Board with the relevant information to make an *“informed investment decision”* at the end of the assessment (AP I, 2016).

At this stage, the company had agreed to explore the possibility of establishing a hub, and the key objective of the assessment was to determine its location in order to reap the highest

financial benefits. The document stated: “by the end of February 2016, we will be able to collect data, analyse, compare, and finally select the country with highest potential and advantage to establish [Company Name] MENA hub” (Company, 2015a). The company created an official project team to carry out the assessment. The team was composed of the NSM for Egypt, the Business Line Committee, composed of the head of the supply chain, the VP MEA, and the SVP. The latter had the task of presenting the results to the Board of Directors in order for them to make their formal decision on whether or not to pursue the project at the end of the assessment.

Despite the idea of the hub being suggested by the NSM, the grafted manager had been coaching the sales managers to carry out a formal comprehensive assessment in accordance to the superiors managers’ expectations in order to “*reach a sensible conclusion at the end*” (AH I, 2016). During an interview, the grafted manager explained that he used his experience-based knowledge and skills in project management, which he had acquired during his time working in the internal consulting department at the firm’s headquarters, in order to compose, consolidate, and assess the gathered market information, “*to reach a sensible conclusion at the end*” of the project:

“I think my experience in the project management played a role in managing these projects in a structured way from my learning in MSE [Marketing and Sales Excellence]. Ja, but I do think, the ideas came from the people, not from me. I only coach the people how to do the projects. How to do it in a structured way to reach sensible conclusion at the end [...] the methodology to do the projects or which the people, the sales managers were lacking.” (AH I, 2016)

As shown above, the grafted manager explained that he primarily supported the assessment to be carried out in accordance with the senior managers’ expectations of how to carry out the assessment process (Field notes, 2016). The grafted manager had worked three years in the internal consulting department on various projects (e.g. assessing external distributors) and he used this experience-based knowledge to structure the project according to the ‘German’ standard in the headquarters (Field notes, 2016). The VP MEA had explained that the grafted manager’s training in the internal consulting department helped in the management of these projects (Field notes, 2016). The German managers trusted him to meet their project management expectations to the extent that he was in charge of organising the Q-room meeting in Germany in Q4 2016, in which the top managers

participated, as well as composing documents and carrying out assessment of other strategic projects in the MENA region (Field notes, 2016).

Accordingly, the assessment was clearly structured and the documents set out a clear timeline of twelve weeks data collection, twenty four weeks evaluation and two weeks recommendation as three phases in the project plan, to last from March 2015 until December 2015 (Company, 2015b). This assessment process served as the routine learning process to gather, analyse and evaluate information about the potential investment opportunity, to *“educate the Board along the way”* to mitigate the perceived uncertainty for the Board so that they would feel able to make an *“informed investment decision”* at the end (Field notes, 2016). The grafted manager explained that the PowerPoint documents were merely to get approval since educating the Board along the way was always key to get approval at the end; otherwise, if one would not educate them along the way, one would have to start from scratch again (Field notes, 2016).

The assessment process started by gathering the local know-how from the NSM and TSM across the different markets in the MENA region (Company, 2015b). Over the course of 2015 the MENA sales team gathered information and doing research by *“talking to people”* (AH I, 2016) and using their experience-based knowledge to continuously update the official confidential documents during the assessment (Field notes, 2016). In July 2015 the extensive information and knowledge about the individual markets provided by the NSM and TSM were summarised into some simplified, aggregated and neat categories such as challenges and potential benefits, and individual markets were ranked according to the overall business benefit. In September 2016, the assessment identified Iran and Egypt as the final options, whilst Egypt was considered the most beneficial location for the establishment of a warehouse hub based on the overall business benefits.

The assessment documents also drew on the established warehouse operation in South Africa, which the VP MEA had successfully established, to prove the benefits of the new business model for the host market (Company, 2015d). This past experience was deemed the blueprint for establishing this new warehouse, especially since the VP MEA repeatedly stressed that based on his experience of establishing the hub in South Africa he knew how to do it (Field notes, 2016). For instance, the official document that drew on the experience in South Africa to illuminate the benefits of the future warehouse in Egypt stated that:

“The South African model shows several advantages for having a legal local entity with regard to JIT [Just in Time] delivery and a flexible, easy payment system to our customers. Moreover, it acts as a great logistics solution in supporting [Company Name] sales team in developing the market for new products and playing an important role in the region’s growth.” (Company, 2015d)

The final assessment documents were focused on outlining the drivers for the project, namely the increased competition and the different establishment options of how to overcome the identified weakness of being able to import and to sell in local currency. The legal establishment options suggested were to either set up a wholly-owned subsidiary, in or outside the free zone, to use a third-party in or outside the free zone, or to rely on a third-party distributor for the import process. There was some ambiguity about local regulations in regard to whether the preferred option of a wholly-owned subsidiary was going to be feasible or not. According to Egyptian law,

“The importation is limited to Egyptians either as individuals [...] or corporate bodies which must be fully-owned by Egyptians and its Board of Directors should be a 100% Egyptian. The importation authority had previously approved and granted importation licenses for Egyptian companies, although foreigners ultimately own part of their capital. However this is subject to the discretion of the authorities [...] In all cases obtaining the import license is subject to the direction of the authorities.” (Company, 2016a)

Nonetheless, the company had chosen the wholly-owned legal entity based on the expected greater turnover, and the legal entity was seen as the easier option to establish, although there was a small risk that the firm may not obtain the import licenses (Company, 2015; HR I, 2016). The higher capital costs to be incurred as well as the foreign currency exposure risk - when to convert the local currency into hard foreign currency to repatriate the local profits back home - were identified as disadvantages of the option. The documents also showed competitors’ business models which were also able to sell in local currency. The ultimate Board presentation was composed in December 2015 and had evolved into a much shorter one focused on assessing the financial benefits against the establishment costs. The next step was: “A discussion with [Company Name] management leading to a business decision on the way to proceed.” (Company, 2016a:13)

This assessment process lasted from February 2015 until December 2015, eleven months. The underlying reason for the comprehensive assessment process seems to be that the senior managers expected a thorough and comprehensive assessment to mitigate the uncertainty and associated risk before a final decision of whether to pursue the opportunity

or not could be made. The senior managers were keen on following their routine decision-making process of exploring numerous legal establishment options and “*what-if questions*” to reduce the uncertainty and potential risk as far as possible before feeling able to make a decision (AH III, 2018; Field notes, 2016). For instance, the manager did not only explore a vast range of locations reaching from Turkey to West Africa, but once a selection was made they explored five ownership options numerous times in 2015, as shown in various confidential documents in which they initially relied on the local managers know-how but went on to rely on an external law expert to verify five different legal establishment options in March 2016. Nonetheless, the uncertainty remained, since it was uncertain whether the establishment of the wholly-owned subsidiary with a minimum local shareholder was going to be granted the license or not (Company, 2015d).

Nonetheless, in spite of the extensive assessment, the documents that were used to record and transfer the information and knowledge across the managerial hierarchy were limited to explicit market information and knowledge (Field notes, 2016). The documents were focused on an analysis of the advantages and disadvantages of the different establishment options, but did not include the personal experience-based concerns of the grafted manager and his perceived knowledge gap. As we will see below, the grafted manager held personal concerns about the prospect of the hub project, but had neither shared these directly with the senior managers nor included in the assessment document his concern that the volatile market conditions were going to be a key challenge for the senior managers and how they needed to go about establishing the hub in the host market to address this.

The grafted manager’s concerns were based on his acquired experience-based cross-cultural knowledge. This personal know-how was not transferred to the senior manager for two reasons: 1) the implicit nature of the grafted manager’s experience-based knowledge, which was embedded in values and beliefs of how to address the host market conditions, fostered according to the conditions in the host market context; and 2) the company mentality i.e. the senior managers’ norm to carry out the assessment: their routine process to reach a final decision was driven by their assumption that they were able to address the host market context. Both of these two factors affected the ability to transfer experience-based knowledge on managerial level during this phase, and these two factors are interrelated to an extent, but will be explored separately each at a time below.

4.3.2 First-order Concept #2: Experience-based Feeling

The first-order concept, experience-based feeling #2 refers to grafted manager's experience-based cross-cultural knowledge that created a concern, which was expressed as a gut feeling, that the superior managers would not be able to handle the host market conditions and therefore would not be willing to approve the project. This experience-based feeling was based on the belief that the company's way of operating and the underlying cultural attributes of the senior managers were incompatible with the more volatile and risky conditions in the host market. The underlying experience-based knowledge for this belief was, however, impossible to transfer on a managerial level due to the implicit nature of the underlying knowledge which was embedded in the individual's values, attitudes, and beliefs. This experience-based knowledge was subjective, since it was based on the grafted manager's personal values and belief which were fostered according to the cultural conditions in the host market. These cultural assumptions and conditions, however, were hidden and implicit, which made it difficult to codify and explicate the experience-based knowledge about these assumptions on a managerial level that was necessary to be able to understand the implicit concern (beliefs) and the perceived knowledge gap on a managerial level, as it required the recipients to share the same experiences, values and beliefs as the grafted manager to be able and willing to understand his implicit concerns.

The grafted manager was aware that the senior managers had not shared the same experiences and the respective market-specific knowledge to be aware of the hidden cultural differences, and therefore did neither share his ex-ante perception nor were they able to understand his implicit concern at the beginning. He suspected that they would misunderstand his implicit concerns at the beginning, since he was neither able to transfer his underlying experience-based knowledge (about the hidden cultural assumptions) nor was he able to provide explicit objective evidence for his concerns to convince or explain to them as to why he was concerned. The grafted manager was only able to codify his concerns in broad terms of the firm being too *"risk-averse"* to *"handle the problems in Egypt"*, which was not suffice to transfer his underlying experience-based knowledge to be able to understand the concerns and recognise their knowledge gap in advance.

Given the lack of market-specific and cross-cultural knowledge the superiors had not recognised the extent of their knowledge gap, so believed they were able to successfully

address the host market conditions (according to their experience-based assumptions and beliefs of how to expand abroad). The senior managers believed that they were able to draw on their existing knowledge and routines from other foreign operations to address the new market context and were confident in their ability to address the new market context. Accordingly they wanted to carry out the assessment as their routine of how to expand abroad to minimise the risk and to learn for themselves to reach an informed outcome to ultimately be able to successfully expand into the host context. This mirrors the next first-order concept #3 company mentality, as we will see below. It is important to outline here that the grafted manager knew from experience about the superiors' preference of wanting to carry out the assessment as their routine to learn for themselves to reach an informed outcome and ultimately to make profitable decisions to successfully expand abroad. Based on his experience with the company, the grafted manager knew that the general reason of them being too risk-averse would not be shared, and would not be suffice for them to understand his concern and the perceived knowledge gap. As a result, the grafted manager was reluctant to share his implicit broad concerns since these were not sufficing to transfer the underlying knowledge that was required to understand the concerns as well as to recognise the extent of their knowledge gap in advance.

From the very beginning, the grafted manager doubted that the firm would be able to handle the more volatile host market context. He believed that they would not be willing to approve the project. He doubted that the project would be approved due to the uncertainty and perceived risk; based on his past experiences he felt that the superior managers were not ready to commit to. During the first interview, the grafted manager expressed a personal concern about the company's ability to address "*the problems in Egypt*" which made him believe that the project would not be approved:

"To tell you the truth I wasn't in favour of the project but I got stuck into because of the [Strategy Name], and then the idea came. But from the beginning, I did not feel good about the project that it will go through. Because I knew the problems in Egypt are too much for the company to handle [...] because knowing [Company Name] very well, I didn't think this project would have been approved [...] but I could not say so at the beginning" (AH I, 2016)

As shown, the grafted manager had a bad feeling, as an implicit reason, that the company would not be able to handle the "*problems in Egypt*" based on his experience-based knowledge. He believed that the project would encounter challenges based on his tacit

experiences which had enabled him to develop personal experience-based (cross-cultural) knowledge about the host market conditions, including what it takes to be successful in the market, on the one side, and about the company way of operating, on the other side. This experience-based knowledge enabled him to recognise that there was a knowledge gap between the firm's way of operating (current knowledge base) and the required knowledge-base to address the different host market conditions. More specifically, he perceived the decision-making attitudes and norms of the superior managers as "*too risk-averse*", i.e. the volatile market was going to challenge their long term planning and risk-minimising approach so that the risk would be seen as too high, and thus he believed that the senior managers would not be willing to approve the project:

"I thought the company is a risk-averse company, because it is a German company and I know this company for many years. And I thought no-one in this company will approve that we do this project.[...] because of the risk [...] because I know [Company Name] is a risk-averse company" (AH I, 2016)

In spite of his experience-based concern, the grafted manager had neither been able to provide evidence that would have enabled the senior managers to understand as to why this would be the case in Egypt, nor was he able to transfer the underlying knowledge to the senior managers for them to be able to understand his gut feeling. Whilst he would have been able to share his concerns and explain it in general terms of them being too "*risk-averse*", he was not able to transfer the underlying experiences and respective knowledge that was necessary to understand the subjective belief and perceived knowledge gap. The underlying reason was that his feeling was subjective, based on the tacit experiences of the grafted manager, which made it difficult to codify and explicate the underlying knowledge to understand the concern, unless one had shared the same experiences on the ground to have developed similar values and beliefs of how to address the volatile market context and respective cross-cultural knowledge to perceive the same mismatch between the firms extant and required knowledge base. As we will be elaborated later on, the different experiences of the senior managers had created different assumptions and beliefs of how to expand abroad and these were so different compared to the grafted managers' values and beliefs that they would have been unable to understand and thus unwilling to accept his implicit concerns at the beginning of the assessment.

The underlying differences in experience-based knowledge between the grafted and th senior managers, made the grafted manger reluctant to share his feeling and concern with

the superiors at the beginning of the process. As we will see in the first-order concept #3 company mentality, he knew that the senior managers wanted to learn for themselves and expected explicit information or knowledge, which they were able to understand, to inform the decision rather than some gut feeling and perception which they would have not been able to understand and thus also did not share. As a result, the implicit nature of the knowledge underlying the concern impeded the grafted manager from being able to effectively transfer his knowledge, which made him unwilling to share his concerns (since he was not able to proof these or to transfer the required knowledge for the senior managers to understand these) which prevented the superior managers to recognise their knowledge gap in advance. The grafted manager explained that:

“Sometimes it is difficult to provide evidence – it is just things you learn by trial and error and it is difficult to provide the evidence for it, ja? [...] I mean from historical incidence you create some kind of gut feeling, it is created inside you if you see the same incident again in a different way with different people. Sometimes you cannot provide evidence for that, it is only gut feeling. You’ve seen it several times and it’s a gut feeling developed from there.” (AH III, 2018)

Further, he explained that this feeling was triggered during the assessment:

“The way the discussion was going was always repeating things, and challenges [internal requests] coming up now and then created this gut feeling inside me.” (AH III, 2018)

As shown, the experience-based knowledge from the past and on-going experiences through the assessment process, such as repeated discussions of whether the proposed shareholding structure would enable them to obtain the critical import license, created a gut feeling that the project would eventually not become implemented (Field notes, 2016). The grafted manager developed this experience-based feeling based on his extensive work experiences with the company in the host context. He had worked for eight years for the MBE in the host context, and three years in the internal consulting department in the headquarters, which had not only enabled him to acquire market-specific knowledge about the implicit cultural assumptions in the host market, but also experience-based knowledge about the company and its decision-making norms, processes and outcomes. For instance, he explained that he experienced such lack of willingness to make a decision due to the uncertainty and potential risk of expanding into new markets during his time in the internal consulting department:

“I did with my colleagues three or four projects. One of them was on how to start a business in Iran, and we had the idea of making an office there and especially in

Kurdistan in part of Iran where everyone knows it is pretty safe compared to the rest of Iran. We explored the potential and no decision was made, yeah. And this project was for six months. Another project, oil field chemicals, was also the project of [Department Name] [...] which is used for detergent manufacturing. They also have another application which is used as oil field chemicals, to use it in oil wells to prepare the wells before you get the oil out and this was a new application for [Company Name] and of course the oil and gas business is a profitable business, but [Company Name] even though we made several proposals in this project now this project is completely dead. A lot of projects in that sense have been concluded, people worked on them they were concluded and nothing happened and nothing happened out of this project, no implementation.” (AH III, 2018)

This experience had fostered his belief that the hub project may be seen as too risky in light of the volatile host market context. He had explained that he knew from his previous work experiences that penetrating new markets was not without risks since uncertainty is inevitably involved when one is trying something new. Accordingly, he believed that the senior manager’s preference to be absolutely secure before committing to a decision was not always possible to fulfil, and thus led to the effect that if the perceived risk was too high, which he deemed to be the case for the hub project, this may lead to a lack of decision. For instance:

“I mean always the risk is a factor but if you try to get out of your comfort zone and do something new and make a project it is always risky. It is by default there will always be a risk if you find a new application for your product, or you are going to open, to enter a new market like Iran. There is always definitely a risk. So in most of the cases I have seen that people in [Company Name] try to be risk-averse, in most of the case, cannot quantify how much but just as a gut feeling it is 70-80% of most cases.” (AH III, 2018)

As shown above, risk-averseness and the routine process of wanting to explore “*what-if questions*” in depth to avoid and mitigate risks, which the senior managers valued, would in his eyes prevent them from approving the project since the inherent risk was never going to be erased given the volatile host market nature. As we will see later, he foresaw that the comprehensive decision-making process driven by this preference would impede the company from being able to quickly respond to emerging opportunities and challenges to cope with host market conditions.

He perceived the senior managers’ decision-making attitudes as not ready to commit to new ideas such as the idea of the hub and investments unless it was a safe bet to pay off in double digits, as incompatible with the volatile host market nature. He thus believed that the project would encounter challenges which impeded the superiors’ decision-making preferences and

thus would not become approved (MC I, 2016; HR I, 2016). Additionally, he had explained that in his eyes their preference to avoid risks was the underlying reason the company had not tried to establish the hub earlier, given that they were present in the market for more than four decades since 1969:

“No, we are a risk-averse company and very rigid because all the managers who have been there ever they always wanted to work the easy way, which was the available way.” (AH I, 2016)

This experience-based knowledge had shaped his beliefs of what the implication of this decision-making preference and approach would be in light of Egypt’s volatile market environment. The grafted manager believed that due to the volatile market conditions including the inherent uncertainty and perceived risk that it was never going to be mitigated enough for them to feel comfortable to be willing commit to the project. He, therefore, foresaw that the company may stop the project.

The grafted manager felt unable to share his implicit concerns with his superior managers at the beginning of the process. As mentioned above, the implicit nature had made it hard to prove or explain the subjective belief of the grafted manager to the superior managers who had not shared the same experiences and respective values and beliefs. The findings revealed that the grafted experiential cross-cultural knowledge that created his belief was implicit and embedded in the individual cultural attributes. This embeddedness made it difficult for the grafted manager to explain to his seniors why he was holding these concerns. For instance, the grafted manager had explained that he believed based on his experiences that the key factors for success in the region were deep knowledge of the region to understand the cultural differences, to be flexible, to be patient and to have courage:

“First of all, I think deep experience on the different culture in the region [...] I think, the second characteristic is you need, ehm – you need flexibility, high flexibility, to be able to change, not to be rigid on a certain way of doing business, but to be flexible and flexibility will bring you to innovate and new ideas, especially with the ongoing challenges in that region. And usually the challenges in the MENA region I have never seen, maybe there are some similar challenges in other parts of the world, but if we compare it to Europe never seen such challenges in Europe, at least in the past thirty, forty years. [...] I mean Civil Wars, for example, financial limitations of foreign currency, the need to get foreign currency to pay for your goods [...] Second thing is flexibility. The third thing is patience, the fourth I think is courage.” (AH II, 2016)

This experience-based knowledge about the market conditions and beliefs how to handle them, on the one hand, and the experience-based knowledge about senior managers decision-making attributes and norms, on the other hand, allowed the grafted manager to recognise that there are going to be a clash between the managers 'decision-making attitudes and the volatile host market conditions (MS I, 2016; Field notes, 2016). This experience-based feeling and belief was hard to prove or to explain to the senior managers during the assessment, despite enjoying a strong, trusting relationship, since they did not share these experiences and beliefs that it was necessary to become entrepreneurial, flexible and requires courage to try out new ideas to handle the ongoing and unique challenges in the host context.

Taking into account that the Board and the other senior managers lacked the implicit market-specific knowledge, they were not as familiar with the host market requirements as the grafted manager was. They were, therefore, not able to recognise the knowledge gap between extant knowledge base and their planned approach based on their assumptions and beliefs of how to expand abroad, and the market requirements to be able to anticipate or understand why their preferred long-term planning logic seeking to erase the potential uncertainty as far as possible in advance would be hard to fulfil in the volatile market context. The senior managers believed that they were capable of establishing the new entity deploying a long-term planning and low-risk step by step approach which had worked in South Africa (Field notes, 2016; HR I, 2016). As a consequence, they were keen to push ahead to carry out the assessment, while the grafted manager was reluctant to share his concerns as he was unable to explicate his implicit experience-based knowledge and concerns so that the senior managers would have been able to recognise their knowledge gap in advance. As a result, the grafted manager was reluctant to share his concerns, as he suspected that he would waste his time in trying to convince them, and may be seen as incompetent, since he was not able to provide objective evidence (which was expected by the seniors) so that they would be able to understand and accept his concerns. In addition his beliefs that the company competencies would be inadequate in terms of being too "*risk averse*" was against the beliefs of his superior managers who were confident in their ability to address the host market conditions which had made him reluctant to share his concerns as these may be misunderstood as "*killing the potential*" and thus would result in the resentment of his superiors managers (AH I, 2016).

Overall, the findings show that the grafted experience-based cross-cultural knowledge was acquired through personal experiences on the ground. This know-how was difficult to transfer on a managerial level since it was embedded and intertwined with the individuals' cultural attributes in terms of values, attitudes, and beliefs, and those of the grafted manager and his senior managers were so different that the concerns would have been difficult to accept and understand for the senior managers without having shared the same experiences and respective values and beliefs. As a result, the underlying experience-based knowledge which created the experience-based feeling and respective beliefs were implicit and impossible to explicate these sufficiently for the superiors to be able to understand and accept the concerns which would have enabled the transfer of the experience-based knowledge between managers with different experiences and respective beliefs to help the company recognise the scope of its knowledge gap in advance of the implementation. As result of his inability to explain and transfer the underlying knowledge, the acquired cross-cultural knowledge enabled the grafted manager to suspect that the managers were unable to understand his implicit concerns, which together made the grafted manager reluctant to share his personal concerns which he was not able to proof or to explain to them so that they would understand these without having made the same experiences.

4.3.3 First-order Concept #3: Company Mentality

The first-order concept named company mentality #3 refers to the senior managers' belief in exploring potential investment opportunities through a project. This process represented their routine means to evaluate prospective investment opportunities by going through them whilst seeking to reduce the uncertainty and risk in order to learn for themselves "*to reach a sensible conclusion*" at the end, and to ultimately decide whether they are worth pursuing (MC I, 2016; AH I, 2016). This company mentality, driven by the underlying value of wanting to explore potential financial benefits, amplified the difficulties the company had in transferring the grafted manager's experience-based feeling and underlying cross-cultural knowledge to the senior managers, which impeded pre-entry learning to recognise the extent of their knowledge gap.

Given that the senior managers lacked the cross-cultural knowledge to be able to recognise the knowledge gap in advance they were keen to carry out the routine process to assess the hub project. They believed that carrying out a comprehensive assessment process was an

effective means to learn about the foreign market context to make an informed investment decision at the end (Field notes, 2016). This was taken for granted and though the superior managers were aware that the process was more time-consuming, they believed it conducive to making successful and very profitable investment decisions. For instance, the MDF stated:

“I’m d’accord with it [German Company Culture] as I think that our companies, there are many firms which are around for a long time. The [Company Name] and [Company Name] are around for 150, 160 years and still among the leading chemical companies worldwide, so we are able to address the challenges in the markets. And this even with a certain compliance standard, I’d call it legal safety and yet to grow, produce good products and maybe we do not make decisions within two weeks but take four, five or six weeks, but one can say that in hindsight the long time period taken helped us to secure the survival of the company and the successful survival of the company.” [Translated from German] (MG I, 2016)

As shown, the MDF valued the comprehensive assessment based on his belief that it allows them to securitise investment decisions to secure the survival of the company. Similarly the Head of Strategy had commented that their expectations to achieve double digit returns on their investments create a need to scrutinise the investment projects with care, which results in longer but successful decision-making processes:

“I would say in principle we as a German company are cautious and weighing in regard to expanding abroad in order to grow. Often it is the case that we only permit the establishment of a new production plant if we are in principle 90% sure that we are able to sell the capacity. That is great if it happens but has the disadvantage that our decision-process can last for a very long time [...] I mean, if you have an expectation of 15-20% return of profits to a project then you are finding it more difficult to make a decision than if you say 5% is enough or me [...] In principle the German companies have been very successful with their investments in the past.” [Translated from German] (MC I, 2016)

Due to the required investment and lack of knowledge among the decision-makers, there was an underlying expectation to carry out a comprehensive assessment process which was going to “*educate the Board along the way*” and lead to a “*sensible conclusion*” of whether to pursue the hub project or not (Field notes, 2016). For instance, the VP MEA expressed his confidence in the assessment process as the means to have reached a sensible and concrete outcome:

“The time is now. We decided to start the project last year in February. We had a workshop on how to improve the logistics in the Middle East. The question was, are we making a hub and where are we making it? One option was in Turkey and to serve LEVANTE and UAE etc. There were different options that were put on the table and worked through and the concrete outcome was to implement it in

Egypt, that is ready to be presented and is going to be presented to the Board next week.” [Translated from German] (HR I, 2016)

As shown, the VP MEA considered the project to be ready to be presented to the Board after it had undergone the assessment, illustrating his confidence in the routine process to have led to a sensible outcome. The assessment had lasted eleven months, and the senior managers were prudent and keen to reduce the uncertainty by exploring “*what-if questions*” such as different establishment options and associated risk of the investment as much as possible before actually proceeding to implement it. For instance, a total of seven different PowerPoint documents and numerous other supporting materials were produced, which reflected the high value attached to this assessment (Field notes, 2016).

And yet, despite the long and comprehensive assessment process, the implicit and cross-cultural knowledge possessed by the grafted manager was not transferred alongside the preparations for the implementation. Whilst the grafted manager had not been able to transfer his underlying experiences and knowledge to the senior managers which had made him reluctant to share his concerns, as seen in first-order concept #2 experience-based feeling, and he had also been reluctant to share his implicit personal concerns with them due to his awareness that they lacked the required experiences to understand his concerns and thus wanted to carry out the routine to learn for themselves to determine the outcome. For instance, the grafted manager explained:

“But from the beginning, I did not feel good about the project that it will go through. Because I knew the problems in Egypt were too much for the company to handle [...] But I could not say so to them - at the beginning [...] I think when we started with the project, you know, the mentality in the company is that they want you to do the project and then out of the project they want to see the outcome of, ah,. If at the beginning, I would have told them there are a lot of challenges don’t do the project, they would think I’m killing the potential. They have to go through the process and then see it at the end. In other words, they have to crack into the wall to know that there is a wall here. If I would have told them, no don’t go through this tunnel cause, there is a wall at the end. They wouldn’t believe me, it’s just the mentality.” (AH I, 2016)

There was the norm to try to capture potential sales improvements by relying on explicit and objective information and knowledge to make a decision, which impeded the grafted manager to be willing to share his implicit concern, which was not enough for them to turn down a potentially profitable investment opportunity before having explored the prospect, especially in light of the top-down pressure to explore the potential sales improvements to meet the inflated sales goals. As a result, since they lacked the required experience-based

knowledge to be able to understand the implicit reasons, the grafted manager's suspected that his personal concern about the company's capabilities adequacies to address the market context may be misunderstood to "*kill the potential*" before having tried it (AH I, 2016) which was against their beliefs and thus would provoke the resentment of his superior managers. The grafted manager stated:

"It is not because they [Senior Managers] are not knowledgeable, but because the Germans always think, don't kill any potential before you go through it, they want to try it first [...] No-one will say no, ja? And this is what makes me sometimes bored, ja? Because everyone will, ah, say yes, yes, but not now, when the situation improves, ja?" (AH II, 2016)

This belief was hard to change since the senior managers were not able to understand the subjective concerns, as they lacked the required experiences and knowledge (including values and beliefs of how to address the host market conditions), and due to the high value placed on securing sales improvements they were unwilling to stop the project based on an implicit reason or potential challenges, so that they had to learn for themselves to understand why their expansion preference were going to be hard to realise in the host context. For instance, the VP MEA expressed his determination to carry out the process to try it in spite of potential challenges along the process:

"It all can go wrong. But that is not a reason to no try it, and we are going to try it?" [Translated from German] (HR I, 2016)

Trying to realise each potential improvement by exploring the prospect before deciding was very evident among the senior managers within, but also outside the expansion project in the daily business. For instance, it prevented the grafted manager from being honest; he did not follow up on every enquiry from potential customers based on his experience-based knowledge. He explained that:

"I always receive these emails, ah, we have this enquiry from this guy, please contact him. I tell you the truth, I throw these emails in the rubbish. Because if I have an email coming from Hotmail from a guy who wants to be our agent or who wants to buy a product, I know it is a guy just sitting at home wanting to do something. But I cannot say this to a German colleague because he would say no, it has potential; you should follow up and go with [...] I know the end result. I don't want to waste my time. But for him it is not a waste of time. This is, I have to go through and if I know at the end there is no potential I can close it. It is a cultural difference." (AH II, 2016)

As shown, the grafted manager considered this company mentality to be linked to the German cultural attributes of the senior managers' i.e their belief in wanting to explore and to try to realise potential opportunities before making a decision based on potential challenges. The latter constituted the dominant beliefs which were embedded in the routine of going through the process to reach an outcome, which had guided the learning process about the foreign markets. This routine and belief, however, had limited the knowledge transfer to be reliant on explicit information and knowledge, since implicit experience-based knowledge which was against the senior managers beliefs without any evidence was impossible to transfer across the hierarchy so that the seniors would have been able to recognise their knowledge gap along the preparations.

Overall, the senior managers lacked the market-specific and cross-cultural knowledge to recognise the knowledge gap in advance. As a result of this belief and lack of similar experiences, the superior managers were unable to understand the implicit concerns held by the grafted manager and were unwilling to accept an implicit reason - i.e. the grafted manager's gut feeling - as sufficient to stop the project, and it may have been misunderstood as killing the potential to improve the sales operation. In particular, based on the top-down imposed inflated sales goals and the financial pressure, the Board and senior managers were keen to carry out the project and assess the opportunity thoroughly to avoid missing out on a lucrative sales opportunity. This lack of similar experiences in addition to the high value attached to this routine process, therefore, had impeded pre-entry.

4.3.4 Second-order Categories: Expressed Attitudes, Beliefs, and Values of the Managers

The study revealed that there is a deeper underlying reason beyond the first-order concepts #2 and #3 – the cultural differences between the grafted manager and the senior managers - which allows the author to explain why the experience-based cross-cultural knowledge was not transferred from the grafted manager to the senior managers at the beginning of the process. As shown in Appendix 9.6, value-coding the managers' attitudes and beliefs expressed on the surface allowed underlying values to be identified. More importantly, it enabled the author to illustrate the underlying difference in the cultural attributes between the grafted manager and the group of senior managers. These deeper cultural differences provide a more profound explanation as to why the experience-based cross-cultural

knowledge was not effectively transferred from the grafted to the senior managers to recognise that they faced a knowledge gap at the beginning of the process.

Firstly, the experience-based concern that was expressed as a gut feeling was based on the grafted manager's personal experience-based knowledge about the superior managers' decision-making attitudes and norms, on the one hand, and on the other hand, the market conditions and respective values, beliefs and assumptions of how to address them. This experience-based cross-cultural knowledge about both worlds created his gut feeling, and fostered his belief of how to address the host market context, which shaped his perception that these would be too much to handle for the company.

This experience-based knowledge and respective fostered belief, however, was implicit and the grafted manager was neither able to transfer his underlying experiences nor the experience based-knowledge to the senior managers which were necessary to understand his gut feeling. The underlying reasons for the anticipated difficulties were that this experience-based knowledge possessed by the sender, i.e. the grafted manager, was embedded and intertwined with his personal values and beliefs. This made transferring the knowledge to a recipient who had not shared these values and beliefs extremely difficult. It was especially difficult to transfer and explain the implicit concerns since there was no direct evidence for the concerns, but it was based on his subjective perception. As was shown, the grafted manager knew that the market was very volatile and posed unique challenges and had placed a high value on being able to cope with non-transparency, uncertainty, and risky conditions to be able to address the host market conditions. Accordingly, he considered the superior managers' decision-making norms and processes, which were seeking to explore potential opportunities by going through their routine to avoid missing out on potential opportunities, while simultaneously reluctant to commit if the uncertainty and respective risk were seen as too great, as incompatible with the volatile and uncertain market conditions. In other words, he perceived the senior managers' values, attitudes, and beliefs which shaped the firm's decision-making norms, processes and way of operating as the underlying challenge for why the company would not be able to handle the problems in Egypt and thus would not be willing to commit to the project. This perception was, in contrast to the senior managers' beliefs, who perceived the host market as similar to the recent established operation in South Africa, and believed that they could draw on this experience which made them confident in their ability to be able to address the host market conditions.

These differences in the underlying beliefs made sharing the grafted manager's implicit concern with the senior managers who had to convince the Board even more difficult. The implicit gut feeling was in contrast to the senior managers' group beliefs in their ex-ante perception of their ability to expand according to their assumption and beliefs to address the host market conditions. Given the implicit nature of the concern being without any evidence that the managers were able to understand, the grafted manager knew it was not going to be enough for the Board to understand or be willing to stop the process and he was reluctant to say so at the beginning. The grafted manager knew about the lack of similar experiences and respective beliefs of the superior managers preventing them to be able to understand the implicit concerns. Accordingly, he suspected that he would waste his time in trying to convince them, and may be seen as incompetent, since he was not able to provide objective evidence (which was expected by the seniors) so that they would be able to understand and accept his concerns. In addition, his beliefs that the company competencies would be inadequate in terms of being too "*risk averse*" was against the beliefs of his superior managers, which had made him reluctant to share his concerns as these were against their beliefs and may have been seen as "*killing the potential*". He felt that his concern without evidence would just provoke the resentment of his superior's managers. Hence, he was reluctant to share his experience-based concern at the beginning of the process and believed that it was best to let them learn for themselves by trying it out. The discrepancy in the individuals' past experiences and the contrasting beliefs in their ability to address the market had impeded the willingness to transfer the experience-based cross-cultural knowledge to recognise the extent of the knowledge gap through sharing the grafted manager's personal knowledge on a managerial level rather than having to recognise it and its scope through traditional experience-based learning.

Secondly, the senior managers' past experiences fostered the group belief embedded in the routine that the economic potential ought to be explored by carrying out a formal assessment to support the ultimate decision-making process; this was referred to as the 'company mentality'. The senior managers believed that they could draw on existing knowledge and that routines such as the assessment were transferrable and applicable to learn how to address the host market context. The senior managers placed a high value on the assessment to be carried out to mitigate the perceived uncertainty and to learn for themselves to reach an informed outcome. This belief and preference to carry out the

assessment to reach a decision had amplified the difficulties in transferring the grafted manager's implicit experience-based cross-cultural knowledge.

Due to this company mentality and the top-down decision-making process, the grafted manager was expected to follow this company mentality to explore the opportunity accordingly, before a final decision could be made. This routine however, was only able to rely on explicit information and objective knowledge since it had to be codified to be included in a document used to document and communicate the assessment results across the managerial hierarchy so that the Board was able to understand the underlying reason for the requested investment. The grafted manager knew from his work experience that the senior managers were neither able nor willing to believe him at the beginning as they lacked the same tacit experiences and thus believed that it was appropriate to carry out the process to determine the outcome (which they were keen to be positive to meet the sales goals). As a consequence, he was reluctant to share his experience-based feelings, since he was not able to explicate his underlying experience-base knowledge sufficiently to include it in the documents or to share it with them directly, as they were unable to understand and thus unwilling accept his concerns, potentially seen as incompetent and provoking the resentment of the superiors as these were against the seniors confidence based on their experience-based belief that they would be able to handle the challenges and their belief to complete the assessment before making a decision.

Based on these beliefs there was an expectation about how to carry out the assessment process as their routine way of assessing an investment opportunity. This expectation and underlying value attributed to the routine process by the senior managers was based on their belief that this process enabled them to reduce the perceived uncertainty and potential risk to meet their return of the investment expectation of double digits. This group belief of the senior managers had created an unwillingness to stop the potential expansion process before the relevant information and knowledge were gathered, assessed and evaluated, so that the senior managers would have been "*educated along the way*" for them to make a final decision whether the investment opportunity as worth pursuing or not (Field notes, 2016). In other words, this company mentality (driven by the belief in wanting to try to realise the potential financial benefits) amplified the grafted manager's inability to effectively share his implicit personal experience-based concerns with the senior managers in the absence of any explicit proof at the beginning of the process. As a result, the routine learning process was

limited to relying on explicit information and knowledge and the valuable experience-based knowledge that could have enabled the senior managers to recognise the knowledge gap in advance was not transferred in advance.

All in all, the implicit nature of the grafted knowledge being embedded in the individual's cultural attributes as well as lack of similar experiences and respective values and beliefs among the senior managers impeded their ability to understand the implicit concerns. They were, therefore, not able to understand or accept an implicit reason which was linked to the individual's personal values, attitudes and beliefs of the individual manager's world view, as sufficient to stop the project. Instead based on their experience-based beliefs and their confidence they wanted to carry out the assessment which relied on explicit evidence to proof the benefits and costs, and due to this norm the grafted manager was, not willing to share his concerns as he was unable to effectively communicate his underlying experience-based cross-cultural knowledge to understand the respective beliefs about the challenges across the managerial hierarchy from the director level to the VP and the Board of Directors to become absorbed within the organisation as a whole. The narrative, therefore, illustrates how the expressed attitudes at the managerial level allowed the author to recognise the underlying differences in the personal values and beliefs between the grafted manager's individual beliefs and the senior managers' group beliefs. The latter composed the 'dominant logic' - i.e. beliefs and assumptions about how to act appropriately - guiding the decision-making norms and processes at the firm's headquarters. As a consequence, in spite of the grafted knowledge being acquired and present in the firm, it was not transferred and the superior managers were not able to recognise their knowledge gap in advance.

4.4 Event Sequence 3: Searching for a Solution and Obtaining Board Approval (January 2016 - September 2016)

4.4.1 Event Description:

In January 2016, the official assessment results were ready to be presented to the Board to make a decision on how to proceed – whether to approve the investment required to establish the new entity. This, however, did not happen, even though the Board support was seen as secure, since two issues emerged as challenges along the process that needed to be

addressed in order to convince the Board to approve the investment. In July 2016, the VP MEA explained that:

“They [The Board of Directors] have signalled from the beginning, yes we will support the project, we are on board. But it is not done just because the Board says yes we are supporting you. For me two significant issues are to be solved [before the hub project could be implemented] [...] we need to convince the Board, and we need to point out the involved risk, and [SVP Name] clearly said that we do not know if the shareholder will be accepted and the risk with the currency remains [...] So we have to decide at some point how much risk do we want to incur; it is best to just take an amount of money into our hands, and one will say go and include it in the price. Following the motto, we are ready to risk half million then go and add it on top of the margin. That only works if the competition allows us to do it.” [Translated from German] (HR I, 2016)

As shown, the VP MEA was convinced to go ahead with the envisioned expansion plans, but two issues had to be addressed to secure Board approval and the subsequent implementation of the hub project, namely:

1) the need to find a local shareholder who would accept 0.01% in the new entity; and, 2) the volatile and insufficient supply of foreign currency to expatriate the profits back home.

Initially, the senior managers had identified the need for a local shareholder as a challenge which threatened the prospect of being able to establish a wholly-owned subsidiary. Further, the managers were also keen to mitigate the potential currency exchange risk to convince the Board to approve the establishment of the hub. The senior managers were trying to address both issues and, in particular, the latter, which proved more difficult than they had anticipated. As a result, the process was significantly delayed and the final Board decision was made nine months later on 12 September 2016 (AH I, 2016; MDF 10.08.2016). The following will set the scene, and outline the emergence of each of the two issues and how the company was seeking to deal with them.

4.4.1.1 Local Regulations

The senior managers asserted a clear preference from the outset to establish a wholly-owned subsidiary, due to the alignment with the renewed sales strategy. As was explained above in first-order concept # 1, they believed that this option was most appropriate to fend off the increasing competition and that it offered prospective higher margins which were very important to them to achieve the inflated sales budgets (AP I, 2016). According to Egyptian

law, however, the new limited company had to have a minimum of one local shareholder in order to be eligible to obtain an import license (GM, 13.07.2016; MG I, 2016). The senior managers' preference to establish a wholly-owned subsidiary was thus not easy to fulfil. For instance, the MDF had explained that a minimal shareholder was considered because of local regulations:

“We would prefer to avoid a local shareholder but in Egypt it is mandatory.”
[Translated from German] (MG I, 2016)

The VP MEA and the grafted manager had identified two potential local shareholders along the assessment (Field notes, 2016). The grafted manager negotiated with both potential partners after the location had been determined. One of the potential shareholders was the former agent for this particular business line, and the other was the active agent of a different business line. The latter had been showing great interest, and the grafted manager had informed the senior manager in August 2016 that they would be willing to enter the agreement (Grafted Manager, 08.04.2016). Yet it was not clear whether they would agree to the minimum shareholder percentage of 0.01% (SVP, 14.07.2016). This meant that it was not certain if the preferred planned establishment would be feasible. This was communicated clearly to the Board in July 2017, and the intention was to go ahead with the approval in spite of the uncertainty, to “*avoid further delays*” in finding a shareholder to progress with the establishment of the company. Yet, they stressed that the Board decision would not result in any immediate action until these negotiations could be completed to ensure that a minimum percentage was guaranteed (SVP, 12.07.2016).

4.4.1.2 Foreign Exchange Crisis

In 2016 Egypt's economy was still fragile in the aftermath of the Arab spring. It was subject to high import levels to secure the supply of essential goods, which had created a strong balance of payment imbalance. In order to pay for these high imports, the companies required foreign currency since the local currency of EGP was not freely convertible on the international money markets. The national foreign income sources, however, had fallen and the government was assigning priorities for allocating foreign currency based on the importance of the goods to sustain the feeding the population. The Egyptian government invested heavily in the Suez Canal which had decreased the foreign currency reserves and, in addition, Egyptian tourism had sharply decreased by 42% due to recent terrorist attacks

(Lohade and Kholaf, 2016). Egypt's low foreign exchange income in relation to its high imports on a national basis led to foreign currency reserves being reduced by half, to 15.5 billion USD in August 2016, since the Arab spring in 2011. This was just enough to cover imports for three months (Feteha and Namatalla, 2016).

Initially there were no severe shortages, and the exchange rate was state-regulated in order to avoid a rapid depreciation of the local currency against foreign currency, which was the case in the market-driven parallel market where foreign currency was readily available and sold at significantly higher rates (50% more) compared to the official exchange rates. After a relatively calm situation of foreign currency being readily available again in 2015, the situation worsened dramatically over the course of 2016 and an unprecedented shortage of foreign currency was reached in September 2016. This posed an issue to the company since the decreasing exchange and slim availability of foreign currency threatened the prospect of being able to repatriate future profits of the new venture back home.

In February 2016 the host government started to implement reforms which were seeking to tackle the foreign reserves shortage in order to be able to import essential goods and reduce the high inflation and trading of foreign currency on the black market. The consequence of the decreasing foreign currency reserves was that if one was not assigned priority access one had to rely on the parallel market (which was a black market) to source foreign currency for a company's customers. However, since the exchange rate was much higher in this parallel market than the official rate, it contributed to increasing inflation which worsened the exchange rate and amplified the lack of foreign currency. The government closed a large number of currency-trading offices to prevent trading on this parallel market. Nonetheless, the majority of customers still resorted to obtaining foreign currency, but the new reforms increasingly restrained the possibility to do so. For instance, the NSM explained:

"Let's say during our previous interview there was no kind of limitation from the government or from police or banks about where you are getting the dollars. They all know it is from the parallel market. Now it is part of the dynamics we have a new regulation has been taken from the government and central bank: if you are caught holding dollars you might be sent to jail for a minimum of two years. So this is even contributing to the difficulty of finding dollars from the parallel market because company owners and even employees working for them who used to facilitate getting the dollars are afraid of getting the dollars and being caught. Because if they catch you with any amount of dollars the money will be taken, so you lose your capital, and you are subject to be sent to jail. So this is contributing dramatically to the situation." (MH II, 2016)

As a result of this market development, ongoing sales performance was severely impacted as several customers were not able to obtain foreign currency to be able to pay their invoices. This had resulted in the accumulation of large outstanding invoices, from several hundred thousand euros to single digit millions over several months (Grafted Manager, 25.09.2016). Customers were losing their credit cover which increased the company's financial exposure. Due to compliance guidelines the senior managers and even the Managing Directors had to approve larger orders whilst they had to assume personal responsibility for potential damages, and this issue had become more much severe than was anticipated when the project was started in 2015 (Grafted Manager, 20.10.2016).

In order to tackle the lack of foreign currency and funding to ensure the population could be fed, the Egyptian parliament turned to the International Monetary Fund (IMF) which they had been negotiating with for a twelve USD billion loan. The negotiations were ongoing in 2016 and it was uncertain if and when this loan would be granted. According to the press, however, this loan required the Egyptian government to cut government debt, introduce a value-added tax, reduce energy subsidy and move to a flexible rather than fixed exchange rate (Lohade and Kholaf, 2016). The effects of these government measures were expected to trigger a further depreciation of the exchange rate, and high inflation due to cuts in subsidies and interest rates which were expected to burden the economy (Lohade and Kholaf, 2016).

4.4.1.3 Solution Ideas

In April 2016, foreign currency availability was still stable and the MENA sales team was trying to identify a potential solution to address the volatile exchange rate that was jeopardising the ability to repatriate stable earnings. To begin with, the company was keen on resolving the potential fluctuations of the currency through the established practice of hedging the currency against a foreign currency to secure the earnings. The grafted manager explained:

"So one of the ideas was if we try to hedge the dollar against the Egyptian pound, but the Egyptian pound is not a global currency that banks accept. So we could not make the hedging. The other thing is, we looked for Egyptian banks in Germany who could help us to take Egyptian money from the customer in Egypt and give us the money here in Germany. We found one bank called [Bank Name] in Frankfurt, it is an Egyptian bank, but they said we work under German laws because we are in Germany so we cannot help you." (AH, 2016)

As shown, the managers had been trying to find a solution by relying on the established practices in the company. The existing practice of securing the foreign currency exchange risk, however, was not applicable as the hedging of the EGP against foreign currency was illegal in Egypt (General Manager, 21.04.2016; VP Finance, 02.08.2016). Further, the bank had not been able to exchange the local earnings into foreign currency as they had limited access to the currency based on German laws (HR I, 2016).

From July 2016 onwards, the issue became much more severe than had been anticipated by the managers. The lack of foreign currency became increasingly pressing resulting in further depreciations of the local currency and the outstanding invoices increased the financial exposure of the company and threatened the prospect of being able to use the new entity; as such the company was trying to find a new ad-hoc solution.

Naturally, the grafted manager relied on his local market-specific knowledge of how local businesses were dealing with the lack of foreign currency. He stated that for him personally the best way to deal with the challenge was *“like either trader in the market, buy from the black market. This is the only option”* (AH I, 2016). The grafted manager and the NSM explained that buying on the black market was totally acceptable and common practice in Egypt and was the only option to obtain foreign currency (AH I, 2016; MH II, 2016). The local managers, however, learned quickly that the compliance and controlling guidelines and rules in the headquarters did not allow such a practice, adding: *“But we don’t want to do that - because of internal laws and regulation”* (AH I, 2016).

Recognising that local market-specific knowledge was not applicable in the headquarters, the grafted manager had been gathering ideas, including the know-how of how other firms (competitors and customers) were addressing the lack of foreign currency. The grafted manager informed his senior managers about other firms’ approaches to the challenge. He believed that it was critical to act with entrepreneurial skills and was drawing on this information to propose numerous new ‘out of the box’ ideas about how to address the lack of foreign currency. The grafted manager stated:

“Jaja it did was my ideas. My ideas were with the team, with [NSM’s Name] and with [TSM’s Name]. We tried to really to think out of the box, but... (AH I, 2016)

These ideas reflected his belief in being flexible to come up with new ideas to manage the unforeseen challenge. One of them was to set up a repackaging factory in the free zone; another was to pay an international supplier in local currency; and a third option emerged based on an indirect competitor's business model. The emergence and the ideas itself will be discussed in more depth below in first order concept#5 to illustrate how and why the knowledge transfer and absorption had been impeded. Important to know here is that these ideas were seen as "*out of scope*" and too risky by the Board (AP I, 2016). As a consequence, the Board was not willing to try out the new ideas due to the associated risk.

Nonetheless, in spite of the managers not being able to find a new solution to the foreign currency problem, the senior managers believed that it was best to proceed with the establishment to be ready to start selling in local currency when the dollars were going to be readily available again. For instance, the SVP stated that:

"The argumentation [to the Board] has been simply that we want to be ready to with the new company once we have a solution for the foreign currency problem."
(SVP, 16.08.2016)

As shown, the senior managers were keen to go ahead with the establishment of the new venture in spite of the unsolved problem of being able to repatriate the future profits back home. However, as explained above, the increasing shortage was followed by a number of reforms that were being implemented as part of the IMF loan. At the time, the effect of these reforms was unclear in terms of the foreign direct investment regulations, which had increased the perceived uncertainty (AP I, 2016). After the general office manager had informed the senior managers about the upcoming regulations, they decided to go for the formal approval but to postpone the establishment of the new hub "*until we have more clarity of the upcoming regulations*" (SVP, 22.08.2016). They believed that the foreign direct investment regulations and availability of foreign currency may improve and thus would allow them to establish the new venture without a local shareholder, in addition to their inability to use the new entity in light of the severe shortages.

The following will now illustrate how the market-specific knowledge and the new potentially valuable knowledge were not effectively transferred, and outline the first order-concepts #4 and #5, which were identified from the informants as explanations of why the knowledge was not effectively transferred on a managerial level in this phase.

4.4.2 First-order Concept #4: Legal Barriers

Based on the evidence, the researcher derived the first-order concept #4, legal barriers, which affected the grafted manager's ability to effectively share and employ his market-specific knowledge in order to overcome the encountered lack of foreign currency in the same manner as domestic firms do. The internal compliance rules and legal framework, and the underlying values and beliefs of the senior manager including their norms affected the grafted manager's ability to transfer his implicit market-specific knowledge acquired in the host context on a managerial level in the headquarters.

Whilst sourcing foreign currency via official foreign exchange channels such as banks and foreign exchange offices was technically feasible, the availability had been frequently restrained and was highly restricted in the host market. Based on the frequent lack of availability, local firms and some international firms sourced foreign currency on the "*parallel market*", where the "*rate of EGP vs USD in this parallel market is 50% more*" (Grafted Manager, 22.09.2017). Although this practice was officially prohibited, and illegal according to the regulatory framework, it had been informally common practice for customers to obtain foreign currency from this parallel market, in response to the severe shortages which caused the respective surcharges in the exchange rate (Feteha and Namatalla, 2016; Field notes, 2016). The new government reforms, however, had restricted such trading and made availability via these channels scarcer.

The grafted manager and even the local banks had considered buying currency on the black market to be the only available option (Field notes, 2016). Both the grafted manager and the NSM explained that buying on the black market was totally acceptable and common practice in Egypt despite the official regulations prohibiting it (AH I, 2016; MH II, 2016). For instance, the grafted manager informed other sales directors of other business lines who had similar issues in receiving payment from Egyptian companies:

"According to my knowledge most importers, if not all in Egypt, buy their foreign currency from the parallel market." (Grafted Manager, 22.09.2017)

The grafted manager explained his belief that, for him personally, the best way to deal with the challenge was to "*buy from the black market*" (AH I, 2016). However, he learned quickly

that the compliance guidelines and rules in the headquarters did not allow such practice, adding:

“Like other traders in the market, buy from the black market; this is the only option [...] But we don’t want to do that - because of internal laws and regulation [...] We would cope with the challenges and we would face some challenges maybe if we would buy the foreign currency from the black market. It would have taken a longer time, but I would have been okay with the time, but the financial controller would be over my head.” (AH II, 2016)

As illustrated, the grafted manager explained that buying from the parallel market would have been fine for him, but the controlling and compliance guidelines rendered this unacceptable as it was not aligned with the controlling and financial reporting guidelines. Due to the different norms in regard to the regulations and the compliance guidelines prevailing in the headquarters, this implicit know-how was not seen as valuable. It was against the company’s compliance and legal guidelines (also concerning the financial controlling). As a consequence, the grafted manager was not able to resolve the issue of restricted official availability of foreign currency based on his previously acquired market-specific knowledge.

By the same token, the grafted manager knew that no official institution would allow the company to obtain foreign currency exchange unless it would be classified as a distribution company in the host market. Thus the company would not be able to obtain foreign currency unless it invested in the new company, which the senior managers were reluctant to do under these circumstances. The grafted manager mentioned that:

“Because as a company with compliance and antitrust laws, we cannot go to the black market and buy the dollars, you have to get it from the bank. No banks will give us the dollars unless we are classified as a trader or as distribution.”
[Translated from German] (AH I, 2016)

As shown, this local approach, which was the norm in the host context, was not a viable option due to the compliance laws in place at the firm’s headquarters. This meant that the only alternative was to source the foreign currency via a bank, which was not able to supply the foreign currency unless the new entity was going to be classified as a distribution company to gain preferential access to the foreign currency. As a result of the different norms between the grafted manager and the senior managers, the implicit market-specific knowledge was not seen as valuable to address the lack of foreign currency and the grafted manager’s market specific know-how was not transferred to the senior managers due to the

different legislation and respective company compliance regulations underlying the different norms.

Based on the grafted manager's experience-based knowledge and belief about how to handle the problem he attributed the challenges of trying to address the lack of foreign currency to a lack of management flexibility:

"If we were a flexible company accepting to go to the black market buy foreign currency and do things differently, the project would have gone already good."
(AH I, 2016)

He went on to add that:

"It [Compliance] affects it a lot, yeah. I think compliance is important, but it is also important to adapt compliance to the different countries and regions and this is what we are not tolerant enough to do in [Company name]. We always want to apply compliance as we know it from Germany. [...] For example, when we wanted to do the seminar in Egypt we had a lot of talks with the lawyers. We even send, I don't know if you were in these emails, I don't think so, even constructing the agenda for the workshop. First of all, we wanted to do this workshop in [Name of Location in Egypt]. And we wanted to pay, it is a gesture if you make a workshop in another country, in another city, it is a gesture, and it is expected from the customer that you pay for the flight tickets for them to go to [Name of Location in Egypt]." (AH I, 2016)

As shown, the grafted manager perceived the legal compliance guidelines as inflexible, which impeded their ability to adjust to local norms, preventing them from addressing the lack of foreign currency just as local firms were addressing it. More generally it also prevented them taking advantage of the grafted manager's market-specific knowledge to adjust to the value and cultural assumptions in the host market conditions, such as catering to the local customer's preferences of how to host customer seminars. One important reason for why the senior managers were unwilling to rely on the market-specific knowledge was that the senior managers valued their legal compliance rules based on their belief that these were critical to avoid any substantial risks, and thus they were not willing to look the other way to allow the local managers to buy the currency from the black market. For instance, the SVP explained that these legal barriers are very strict, "*to avoid any risks at all costs*" (AP I, 2016). He stated that it was to avoid any risks of being involved in a scandal that could affect the stock price, but that these guidelines were hindering the firm's ability to adapt to different cultural standards:

“I would put it like that, there is a line, and we agree with the compliance people that in principle, how should I say, that certain things which are seen as hospitality in the regions, taken for granted, which under certain conditions are faced with misunderstandings [...] These are points which, I have to admit, we need to look closer to the conventions in the respective countries and this leads to conflict situations [...] But overall there are cultural differences in those countries which we are partly struggling with, that is true.” [Translated from German] (AP I, 2016)

The SVP explained that sometimes they had to use their decision-making power to refute these very strict compliance guidelines, which in *“certain topics sometimes go beyond the legal requirements”* to enable the firm to acquire new customers in countries where different norms prevailed, and if the guidelines were strictly abided to the acquisition of the customer would not be feasible (AP I, 2016). Yet he saw the regulations as sensible to draw a line between acquiring customers by showing extended hospitality which he said was *“absolutely not our style”* which illustrated that he did not place a high value on catering to such preferences as it was against their values and beliefs to use such means to win customers (AP II, 2016).

As shown, the SVP valued the compliance framework to protect the firm from major scandals and risks. The different value attached to the compliance guidelines and different personal norms in regard to buying currency from the black market had impeded the senior managers from accepting and absorbing the grafted managers’ market-specific and experience-based knowledge of how to cope with the lack of foreign currency as domestic firms did. In other words, the compliance guidelines impeded the transfer of knowledge and more importantly, whilst the senior managers had the power to refute these guidelines, this knowledge that buying from the black market was common practice was hard for the senior managers to accept as it was against the compliance rules and their values.

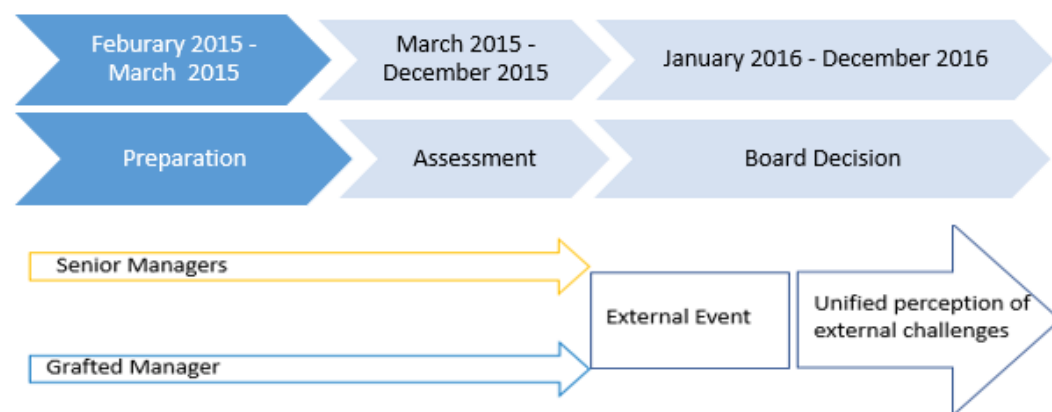
All in all, the differences in the norms between the grafted manager and the senior managers in regard to the legal framework and compliance guidelines prevented the firm from absorbing the market-specific knowledge of how local firms cope with the lack of foreign currency. The perceptions of the managers revealed the negative attitude of the grafted manager toward those compliance regulations in order to be able to address the cultural variations. Whilst senior managers valued the compliance guidelines in principle to avoid risks, they also believed that these were very strict and affected their sales managers’ ability to function successfully, and therefore had to use their decision-making power to refute them on occasion in pursuit of the ambitious sales and growth targets. As a result of the

different values and norms in regard to the compliance rules, the senior managers were unwilling and unable to resort to this practice which affected the ability to transfer the market-specific knowledge to tackle the lack of foreign currency as well as catering to wider cultural differences

4.4.3 First-order Concept #5: Individual Perceptions

The first order-concept #5, individual perception, captures the different individual perceptions between the grafted and the senior managers in regard to the firm's ability to address the host market context, the perceived ex-ante challenges, and what the difficulties in addressing the host market context were attributable to, as well as the different beliefs that guided the logic of how to expand and how to address the encountered challenges.

Figure 6. Visual Mapping: Evolution of Individual Perceptions of Internationalisation Challenges (Author, 2017 drawing on Langley, 1999)



Grafted Manager's Perception	Senior Managers' Perception	Unified Perception of Challenge
<ul style="list-style-type: none"> - Inflexible/intolerant Compliance Guidelines (e.g. Controlling) - Rigid and Risk-Averse Decision-Making Attitudes - Slow Decision-Making Processes 	<ul style="list-style-type: none"> - Incomprehensible Regulations - Regulatory Uncertainty - Volatile Foreign Currency - High Risk 	<ul style="list-style-type: none"> - Unprecedented volatile Exchange Rate and lack of Foreign Currency

Figure 6 highlights the discrepancy between the individual perceptions of the internationalisation challenges of the grafted manager, on the one hand, and the senior managers, on the other, along the expansion process. As was explained above in first-order

concept #2, experience-based beliefs, the grafted manager held personal concerns about the prospect of the project getting approved in the first place and believed that “*the problems in Egypt*” were “*too much for the company to handle*” (AH I, 2016). He perceived the senior managers’ decision-making norms as too “*risk-averse*”, “*rigid*”, not “*flexible*” enough and lacking “*courage*” to be compatible with the volatile, unique and “*ongoing challenges*” in the host market context (AH II, 2016). In other words, the grafted manager perceived the company’s extant way of operating (including their assumptions and beliefs about how to expand) as an ex-ante challenge to be able to successfully address the host market condition.

The senior managers, on the other hand, were not as familiar with the host market context to be able to recognise the knowledge gap between their extant knowledge base and the required knowledge to be able to operate successfully in the host market in advance. The senior managers perceived the host context as similar to the established operation in South Africa. They believed that they could draw onto their past experiences and know-how acquired to address the volatile and risky host market conditions. They were, thus, confident in their ability to establish a wholly-owned subsidiary in the host context aligned with their fostered assumptions and beliefs of how to expand abroad. For instance, the VP MEA expressed his confidence in their ability to enter the new market successfully in April 2016, as follows:

“We do not know what challenges will be ahead, but we are confident that we can manage them.” [Translated from German] (Field notes, 2016)

“I know based on the past forty years that the normal way is to sell via a warehouse; we are doing this in South Africa [...] and we want this in Egypt. The time is now.” [Translated from German] (HR I, 2016)

The senior managers’ confidence was based on their belief that they had acquired the necessary experiences and knowledge in the past thirty years in Egypt to overcome the potential challenges so that the process was seemingly overdue (HR I, 2016). For instance, the VP MEA stated in July 2016:

“So we are in the position to have people who are familiar and are based locally [...] [Name of direct competitors] do not have their own offices. We are the only ones who have local offices [...] but if I have local employees, I have an office for thirty years, we are having the know-how, we have the [Grafted Manager Name] as know-how. We know the region, if not now what should we wait for?! Alternatively, we can surrender it at [Distribution Company Name], or a

worldwide distributor to do it. Just that in my view we will miss out on the margin and the other is earning the money.” [Translated from German] (HR I, 2016)

The senior managers were over-confident and believed that the firm had gathered sufficient experiences and know-how not least through the acquisition of the grafted manager so that they perceived that the process was seemingly overdue. They were so over-confident that they portrayed the choice as a rhetorical question between either using the acquired knowledge to penetrate the market further or not to use the acquired knowledge and to surrender the higher margins to an external distributor.

In spite of their confidence, when the managers were trying to prepare the Board approval and the establishment, the senior managers quickly discovered that the local regulation that prescribed the need for a local (minimal) shareholder in order to obtain an import licence, was against their preferences of how to expand abroad. The senior managers perceived the local regulation as a significant challenge to establishing the new venture and attributed the challenge to the external market conditions. The underlying reason for this perception was that they were not able to fulfil their preference to keep full control of the new entity to safeguard the repatriation of future profits. For instance, the SVP saw the external market regulations as “*incomprehensible*”:

“Partly, taking the example of Egypt, there are from our view incomprehensible regulations. We can also include Jordan, where we are not allowed to establish a new entity which is 100% owned by the [Company Name]. It is difficult for us because we have to work with a local partner, which we actually would like to avoid. To say it bluntly, because it only causes problems for us: you have to divide the profits, and the partner will be attributed a share of our profits, etc.” [Translated from German] (AP I, 2016)

As shown, the SVP attributed a high value to reaping the full financial benefits of the new venture. This made him consider the local ownership regulation as “*incomprehensible*”, even though they did understand these and the term expressed their discontent with the regulations.

Further, the SVP explained, based on the extreme case of Jordan, where they were required to enter a 51% to 49% shareholder ratio, that these types of regulation were against his personal belief to not share the monetary benefits with a local shareholder who does not contribute to the value creation process, just to be able to establish the new entity with an

import license, meaning that they preferred to work with an external distributor if they were confronted with such high ownership postulations:

“Bluntly that is a no-go for me. Then we are not going to do that, then we are rather going to work with an external distributor. I will not surrender 50% of my margin to an external partner which does nothing in the business [...] These are examples of barriers which are happening frequently, that local companies have to be included in the establishment of new entities with a certain percentage. In Egypt, it is only 00.1% but who is going to do that?! It is the minimum requirement, not the amount set; now we have to find someone who is willing to enter the entity for 0.01% for nothing, so to say.” [Translated from German] (AP I, 2016)

The senior managers perceived the external shareholder ownership regulations as a challenge to the expansion process, based on their belief that it was only worth establishing a wholly-owned subsidiary if it guaranteed that future earnings would be retained within their own company so that it could contribute to the accomplishment of the ambitious sales budgets. This value was so strong that the senior managers perceived the external market regulations as incompatible with their preferred logic and the potential demand of having to surrender a significant portion of their future profits was seen as a “no-go” to the extent that *“if the percentage exceeds a certain amount then it will be possible that it will not be implemented”* [Translated from German] (HR I, 2016). For instance, the VP MEA explained:

“To find a shareholder who is supposed to be quiet, and be able to read and write, but he cannot have any profit expectations since we have a transfer price system and the profits will only be marginal, as we want to optimise taxes and that is not in the interest of the local shareholder who wants to earn money [...] It will not stay at 0.01%; if a minister is stepping in front then we can forget it – then everything is possible. It all can go wrong. But that is not a reason to not try it, and we are going to try it and see if anyone is doing that. [...] That is a big effort to obtain a trading license, since it requires large investments. In a country like Ghana one needs to invest millions and employ more people. In Egypt, it states that we need to pay a few thousand dollars and have a local shareholder. In Algeria, it would mean we would require a shareholder of 51%, but in Egypt it is allegedly only 0.01%. That is the current status. But it also states that we are not guaranteed obtaining the trading license. I guess they are going to negotiate that with us. [...] The 0.01% is hinging on how desperate the Egyptians are to make money. That is a political situation. I think if we have someone who is familiar and is saying that we are his business partner and that is good since they are going to create tax, they will import and sell, then it may be possible that it will be feasible (with the 0.01%) but if the percentage exceeds a certain amount then it will be possible that it will not be implemented. That will be down to negotiations.” [Translated from German] (HR I, 2016)

As shown, the VP MEA explained that maintaining the majority ownership percentage was critical to them to the extent that they would not be going ahead with the hub project if this

preference was not going to be feasible. This statement reaffirms the strong value placed on maintaining full control of the new venture to retain future profits.

The grafted manager had not, however, placed such a strong value on achieving this outcome, since his personal rewards were not as strongly linked to the sales performance as was the case for the senior managers. For instance, he explained that the difference between the record-breaking sales in 2016 and lower performance in 2015 hardly affected his salary (AH II, 2016):

“They made an EBITDA of [Figure in euros] billion euros. In 2016 how much did this drop? [...] Did anything change for the employees from 2015 to 2016? Did we take more money in 2015? Will we take more money in 2016, or less? No[...] I, we remember when the company was making money, no one said look guys you made a lot of money, we will give you some profit sharing or something this year. I’m not blaming the company or anything. I’m only saying that the culture of this company or mostly German companies, in my opinion, are not motivating not like if you compare to American companies or other kind of companies.” (AH II, 2016)

As shown, the grafted manager’s salary was not as greatly linked to the overall profits of the company which was why his personal value placed on the outcome was not as strong as the senior managers’. This different personal pay-off and personal values explain why the grafted manager did not perceive the regulations as a challenge to the project. The lack of monetary incentives made him less motivated to try to convince the senior managers to accept his experience-based ideas of how to overcome the encountered foreign currency challenge, which were contrasting the seniors’ own values and beliefs. As we will see later, this resulted in the ideas being rejected and the grafted manager believed, after having experienced the inherent unwillingness to incur a higher risk as challenges to his ideas, that it was more effective to find an alternative solution since he had not been able to transfer his underlying experience-based knowledge.

Furthermore, the senior managers had been aware foreign currency exchange rates could severely affect repatriated revenue based on past internationalisation experiences, citing ongoing operations in South Africa, the recent Greece debt crisis and Brexit as exemplary cases (HR I, 2016). For instance, the VP MEA said that:

“In November 2015, the exchange rate suddenly plummeted and we had prices coming here – that were not 4 euros, not 3 euros. There was madness here since the price was too low in relation to the global price but that was due to the currency influence [...] We had secured the exchange rate twice and still it was

not secure enough [...] Also in Greece 5 million and in Brexit there was madness here since we had offered in GBP and it was 30% cheaper that resulted in 20-30 million being lost. So nowadays we have to deal increasingly with these risks [...] We have experience from other countries that does not have to be Egypt but we have one in our team [Grafted Manager Name] [...] We want to enter ourselves [...] We are confident that we can do it on our own.” [Translated from German] (HR I, 2016)

As shown, they knew that they had to secure local earnings in local currency in order to avoid the potential risk of large repercussions onto future revenue. Moreover, in 2015 the Egyptian market had experienced frequent temporary foreign currency shortages, which impacted the potential order size, limiting it to the value of 50,000 USD per order allowed to be paid in foreign currency at once, as the Central Bank in Egypt mandated (Company, 2015a). Based on their previous experiences they had been aware of ways to address the issue and believed that they could transfer this know-how to this issue and to potential risk in order to safeguard potential local earnings in pursuit of achieving their inflated sales goals (HR I, 2016; AP I, 2016). The VP MEA explained that he was confident in the firm’s ability to draw and transfer existing knowledge from other countries (e.g. hedging from South Africa) to address the issue to learn how to cope with this higher risk atmosphere, but that the company’s willingness to incur the associated risk would be a problem. For instance:

“We are confident that we can do it. Where I see the problem, which I also see in South Africa, the currency we can secure and hedge, that is not a big issue, but how much risk is the company willing to enter? How can we secure our exposure? There is an internal guideline in the company stating that the mother has to protect the subsidiary of any damages and risks [...] This will be a problem as we have never done this [...] This means when we are invoicing 3 euros we have to send back 4 euros and not four times the local currency. And that’s why we will not send the whole amount but will continue to serve many customers in the normal way [via exporting] [...] Due to the associated risk, the company will not switch [million value in euros] into products to be sold, but we will do it step by step [...] we will not send the full amount at once, I am too cautious for that.” [Translated from German] (HR I, 2016)

As shown, the VP perceived the financial risk as an issue since they had not established an operation where the subsidiary had to carry the exchange rate risk rather than the mother company, which was a problem, since the mother had to protect the subsidiary of any damages. This resulted in the manager being prudent, seeking to do it “*step by step*” to keep the risk within reason. The VP MEA stressed the company’s willingness to incur a financial risk as the underlying issue but added that he was confident that they would be able to deal with the risk based on the past experiences of having worked through the Arab spring in Egypt. For instance, he stressed that:

“What means risk, I mean during the Arab spring our customer did not pay our invoice for over one year, and everyone went crazy but at the end of the day it was clear they will pay [...] But those were also five million in receivables.” [Translated from German] (HR I, 2016)

As shown, the manager had been exposed to financial risk during the Arab spring in 2011, and believed they had been able to cope with it, which he used as a justification for why they would be able to deal with the potential financial risk involved when it came to coping with the potential fluctuations of up to 20% in the foreign currency exchange rate. The VP MEA frequently referenced the example of South Africa and believed that they would be able to draw on this experience and the existing know-how from South Africa to Egypt to address the challenges in Egypt but that it would take “*a while to get things running*” (Field notes, 2016). To begin with, in April 2016 the senior managers tried to apply their blueprint and existing routines to hedge the currency against the foreign currency to mitigate the exchange rate risk. This blueprint, however, was not feasible, in contrast to the senior managers’ *ex-ante* beliefs. The senior manager learned through the direct experience of trying that the existing know-how and routines were not applicable due to different regulations in the host context. This experience created recognition of a wider knowledge gap when they tried to address the encountered the challenge. For instance, the VP MEA explained in July 2016 that:

“We never tried to establish a hub where the currency cannot be converted freely on the exchange market. Normally we hedge but that is not possible with the EGP [Egyptian Pounds]. That is also the problem for the local traders when they are importing. That is 10% to 20% they have to pay on top when the EGP is depreciating against the USD or EURO. So we will have the same risk exposure as the traders. One has to learn that – and in this company, it will be difficult and the solution will not come from the controlling.” [Translated from German] (HR I, 2016)

As shown the failed attempts to hedge the currency triggered a change in the perception of the senior managers who started to recognise a widening scope of the knowledge gap. The VP MEA explained that he knew that the shortage of foreign currency could have detrimental consequences and cited examples of other firms operating in even more difficult countries such as Algeria and Nigeria to exemplify the potential consequences and to underscore why he was wary of the risk. For instance:

“I don’t know if we have done it in countries where the currency cannot be hedged. Others are doing it in Nigeria where it is even worse. But we are a bit late. There are solutions, maybe to hedge it via gold or something – I don’t know. But the real question is, am I risking 100,000, 500 000 or 5 million? That is the real question [...] Due to the associated risk, the company will not switch [million value

in euros] into products to be sold, but we will do it step by step. And if it does happen and the value decreases and customers are not able to pay, for instance in Algeria, there are large companies which have millions of naira and the official course is 200 and the unofficial course is 350-400, but even then they cannot get out due to the fact that the central bank does not provide dollars. They are sitting there and looking how the large amount of money, which they wanted to bring to South Africa or Europe, is melting away – sssst, gone. You need nerves, a lot is depreciated, and one has to learn that there are probably other smart ways.” [Translated from German] (HR I, 2016)

As shown, the company had yet not identified a solution ahead of the Board approval in July 2016, but the VP was confident and believed that there were “*solutions*” and “*smart ways*”, but that it was best to keep the local sales volume low to avoid respective risks and to tackle the issue when it becomes a real problem – “*when the shit hits the fan*” [Translated from German] (HR I, 2016). For instance:

“I don’t know yet, maybe we say we have outstanding invoices and we are selling these to others who are willing to incur more risk than us. Some sort of derivative. Why not?! But no-one will do that, we will have to get it from the exchange market. Is it possible to sell outstanding invoices with a discount for the risk? Yes that it possible. But no-one has thought thus far. And I will only do it once it is an actual problem. People are then listening better. If you are talking about a possibility which is far away from the daily business, according to my experience you won’t get answers. When the shit hits the fan, and we need a solution then everyone is more on board. That is really true.” [Translated from German] (HR I, 2016)

As shown, the VP MEA considered it appropriate to try to implement the project step by step to go ahead with the establishment and then at a later point to tackle the future challenge of the exchange rate fluctuations. The VP MEA believed, based on his past experiences, that the best way of dealing with the challenge was by learning through doing once they were in the market. For instance, he stated that:

“We have to acquire knowledge of how to operate in the higher-risk atmosphere [...] So nowadays we increasingly have to deal with [Foreign Currency] risks. The question is how can we mitigate these, and how can we limit these, and that is only possible via knowledge. And that knowledge we can only gain once we are in the market. For me this is a learning process [...] So this is the next step forward – alternatively, we can give it to an external party but they will have the same problems as we will have. I’m ready to learn – we are ready to learn- we do not know everything by far.” [Translated from German] (HR I, 2016)

In spite of having recognised the wider knowledge gap, the VP was still determined and confident in their ability to address the challenge in the traditional way, as others faced the

same issues. He justified this belief and step as necessary to be able to make higher margins driven by his value attached to the preferred outcome.

As shown in Figure 6, from Quarter 3 onwards (July 2017), foreign currency was not only volatile but, based on the increasing restrictions of the government, a shortage started to manifest. The availability became much more severely restricted than had been anticipated for the next two months. It emerged as an unforeseen and critical challenge which severely impacted the sales performance as well as threatening the prospect of being able to use the new entity. This event was foreseen by neither the grafted manager nor the senior managers. For instance, the grafted manager explained that:

“At that time [of starting the project] it was not that visible. Actually, at that time when the project was introduced, there were no foreign currency problems.” (AH I, 2016)

Further, amidst the shortage, the SVP explained that the severe shortage was not foreseeable to the extreme extent, but had detrimental consequences for the business:

“So this whole area has become a problem case over the last few years. Despite the high growth potential in the MENA region, the depreciation of the oil price had detrimental consequences for the area making it a problematic case [...] The fall in the oil price has distorted the macro-economy, so that there are no foreign currencies available to pay for our goods. We are experiencing this in Egypt and Nigeria. Those are countries which should have enough, but they do not since they are dependent, the Egyptians via Saudi Arabia and their oil income, and these are now not able to pay anymore. This has detrimental consequences for us. But we cannot foresee this in each individual case.” [Translated from German] (AP II, 2016)

As shown, the SVP explained that they had not foreseen the dramatic extent to which the foreign currency shortage occurred and that this issue had detrimental consequences for the project. The respondents' statement illustrates his recognition of the lack of foreign currency as a critical issue to be addressed. This shortage amplified the challenges since the exchange rate was not only very volatile, but this shortage meant that it was not even possible to transfer the profits outside the host market which had led to a further depreciation of the local versus foreign currencies on the parallel market, to reach up to 50% (1 USD = 15 EGP vs the official rate which was 1 USD for 8.80 EGP) (Grafted Manager, 20.10.2018). This event meant that the firm would not be able to use the new entity in its intended manner.

This event triggered a change in the perception of what the immediate challenges would be to realise the project for the senior and the grafted manager, not least due to the impact on the ongoing sales performance. As a result of the external event, the senior managers' perception of the challenges shifted along the process from trying to find a local shareholder to recognising the lack of foreign currency as an additional critical and pressing issue that had to be addressed if they were to be able to effectively use the new entity in the future.

Despite the senior managers' initial confidence in being able to find a solution to the lack of foreign currency, once it would become an immediate issue, once it started to become a pressing issue, the company was not able to find an effective ad-hoc solution. Initially, the senior managers assumed that they could rely on their existing routines of how one could address this issue, as they were unaware of how severe the shortage was going to become. According to the SVP there were two ways to cope with the issue for the time being. In September 2016 he explained that:

“The foreign currency issues are coming on top [of the regulatory issues] [...] Of course, business in local currency sounds great, but most of the currencies are not freely convertible into euros or dollars, which means if we are doing direct business with the customers then they have to pay obviously in euros or dollars [...] That can be cumbersome since they do not have access to such currencies. However, at the moment when we accepted local currencies, naturally there is the question will I be able to convert these into something useful? There are two options in principle to deal with that. One can keep the business volume small to cover the local expenses. For example, in Egypt, it has a certain size, even if we do not make local business, there are people's salaries, cars, expenses etc, which are all paid in EGP. Theoretically, we could be earning these EGP in the country via the direct local business, so we do not have to send euros and convert them into EGP. That is one option, which is clearly limited. I'd say we can sell a few containers without getting the problem of having to convert the currency. Anything beyond that, I will have to obtain the status, that my product which I want to sell locally, receives a high priority status, because it is essential to feed the population. Things like that are happening every so often in Venezuela, which is a similar case, or Egypt every so often again; currency is allocated to essential products in order to ensure the feeding of the population. You know as well as I do, that Methionine is as an example very important for growing poultry, and if it is not supplied, there is not as much poultry meat. From this perspective, one can ensure that you are treated with preference in regard to the access to the currency.” [Translated from German] (AP I, 2016)

As shown, the SVP knew that the availability of foreign currency was frequently restricted, but believed that the company could address the lack for foreign currency by either keeping the volume low to cover the local expenditures or by obtaining the preferential status to obtain foreign currency. The former option was, however, limited in terms of the volume that

could be sold locally: it was not a sustainable solution, and the latter option had been unsuccessful since the government did not consider the company's goods as essential to feed the population, contrary to the senior managers' beliefs, and thus denied them preferential access to foreign currency. As a result, the initial idea of how to overcome the lack of foreign currency exchange, for the time being, did not allow them to effectively address the challenge.

Moreover, as the availability continued to worsen and the senior manager recognised that the existing routines were not sufficient to address the issue effectively enough, the manager started to search for new smart ways. The grafted manager had proposed numerous 'out of the box' solution ideas to the senior managers as a means to overcome the severe lack of foreign currency. These ideas reflected the grafted manager's belief in acting with *"entrepreneurial skills"*, *"flexibility"*, and *"courage"* to find new ideas and means to address the unforeseen issue (AH II, 2016). Initially, the grafted manager informed the senior managers about other firms' approaches to serve the market. Whilst he listed competitors' business models in the assessment documents to outline that they had the flexibility to serve the markets in local currency, the management now discussed the indirect competitors' and global customers' approaches to coping with the lack of foreign currency. The grafted manager was trying to make them aware that they needed to be flexible and ready to commit to the risk of working with local currency to address the market conditions and increasing competition (AH III, 2018). For instance, the VP MEA stated that:

"I would put it like that, the region is new, new for our company; to work in our perception in a volatile environment, always with new unknown surprises, that is new. For the people who live there, it is not – it is normal? [...] So we have to see, but [Grafted Manager Name] is seeing it from both sides and he is saying to me it is time now, we are the last one to commit to the risk." [Translated from German] (HR I, 2016)

As shown, the grafted manager was trying to make the senior managers aware that they needed to be ready to commit to the risk of working with the local currency despite the potential risks. In light of this, the grafted manager revealed an indirect competitor's business model to the senior managers to show that it was possible for a Western company to do so as they had established both a trading and a production company to cope with the market challenges. He explained to them that the competitors had invested further and set up a production site which had qualified them as an end-user and distributor to obtain a

trading license. He was trying to make them aware that the managers needed to think outside the box to be more flexible in their way of coping with the issue, based on competitors' business models who have multiple ways of serving the market and thereby gaining better access to foreign currency. He explained:

"The competition is also stuck in the same challenge of foreign currency. Yes - same goes with a company like [Company Name], for example. Here are also [Competitor Firm Name] is a trading company in Egypt but they also have soya plant in Egypt, so they have both classifications, end-user and distributor, and this flexibility gives them access to foreign currency better than if they were only classified as a distributor." (AH I, 2016)

He explained what this business model showed:

"And so if you want to have access to foreign currency to have small production in Egypt besides being distribution. Like, for example, if we do a re-pack of our products, or we maybe make a mix of [ingredients] and we invent a new product having a mix of [ingredients] then we would be classified as a producer." (AH I, 2016)

He added that that:

"Of course this model we discussed internally, to just to say okay if a company like [American Competitor Firm Name] is willing to take the risk and have a trading agency we can also do the same." (AH III, 2018)

Further, he informed them about a multinational customer's approach who were not able to transfer their profits outside Egypt to their headquarters. He explained that:

"Because the company I think I gave the example of [Customer Firm Name] they have big cooperation in Egypt and they could not transfer the profits, they could not buy foreign currency to transfer the profits outside to the [Customer Firm Name] headquarters. What they did is they bought land and new vehicles because they wanted to change their offices. They used to rent but they decided to buy to invest a little bit. And for [Company Name] this is no-go by all means." (AH III, 2018)

As shown, the grafted manager had explained to the senior managers that other firms had invested locally in order to overcome the severe shortage and to avoid the depreciation of the local profits in light of the high inflation. Based on the other firms' approaches and respective information and knowledge, the grafted manager had suggested investing locally in building a re-packing factory in the free zone to serve the market via an exporting hub to overcome the lack of foreign currency. He had explained that:

“I think, the thing is that [Competitor Firm Name] was exporting soya from Egypt to neighbouring countries and that is why they had access to foreign currency, and there was an idea that we also have a free zone company warehouse in Egypt, where we re-pack [Product Name], this idea was coming from me to ship [Product Name] in big bags and then they repack it in 25kg bags, and that this company is exporting to a lot of countries in the Middle East and in North Africa getting foreign currency which would reduce, and also selling into Egypt in small quantities so to not put pressure on customers, to not have to buy big quantities with a long shipping time and customers have to look for large amounts of foreign currency.” (AH III, 2018)

As shown, the grafted manager had suggested to establish a hub in the free zone, as it offered advantages to collect payment in foreign currency and to build a small re-packing factory in the free zone to be qualified as producer which would have entitled them to obtain the import license and with it the preferential access to foreign currency. Although the option of establishing a hub in the free zone had been considered for some time, there was a lot of perceived uncertainty about whether such investment would allow them to obtain the import license since it was at the discretionary of the authorities to decide if this repacking hub would be seen as manufacturing to be eligible to obtain the import license and the acquisition of an existing or new import license was seen as *“very difficult to obtain”* (Company, 2015d). The grafted manager explained:

“When we went into the details with supply chain with regional management with controlling people, there was always a lot of challenges coming up, which we were glad to answer, but it was never-ending, it was like, it took us two years, and then we decided we did nothing except answering challenges here and there, that were coming from different departments and people and at the end no-one really had the courage to say, okay, stop it here, we have done all the, you have done the project and now we should go ahead with it. So it was like an open never-ending discussion on that project.” (AH III, 2018)

As shown, there are a lot of open questions since this idea was completely new, and the firm had not established such a facility before. It was, thus, not sure to what extent this option was going to solve the lack of foreign currency. Eventually, the Board considered such an investment in a re-packing factory in a politically unstable country such as Egypt as a *“no-go by all means”*, since it posed a high cost and potential risks that compromised the potentially profitability of the sales operation (AH III, 2018).

In the period from August to September 2016 the availability of foreign currency continued to worsen dramatically with significant repercussions for the ongoing sales performance in terms of several millions in outstanding invoices and lower overall sales volume (Field notes,

2016). This exerted even greater pressure on the managers which created willingness among the senior managers to explore potential new options, and the grafted manager entered a discussion with the senior managers to contemplate different options that were based on the other firms' approaches that had been discussed. Out of the discussion a potentially valuable idea emerged of how to solve the issue by paying a supplier for raw materials that were required in the production process of industry specific ingredients located in Egypt in local currency rather than foreign currency. The SVP explained that:

"Or else, it is also possible, and we are assessing it in Egypt, we are looking for raw materials or intermediate products or whatever, which are produced in the target country and which I could pay for in local currency to export the product which I purchased, you know what I mean? So if for instance there are large amounts of methanol produced in Egypt, which we require as base material for the chemical synthesis, then we take the money which we earned in Egypt in EGP and buy methanol in EGP and export the methanol. This is and always has been for example the business model of our Iranian partners, and only this way he was able to pay in euros the whole time [...] They are buying Iranian goods including carpets from the revenue and selling these worldwide, that's how they are doing it, absolute successful model, how to make a weak non-convertible currency into something useful [...] Yes that topic is present and we need to see what is really feasible in the country and are we able to do it on our own as [Company Name] or do we need someone like in Iran, a partner who is doing these conversions for us? This would mean we are not indirectly selling but selling via an external distributor." [Translated from German] (AP I, 2016)

As shown, the new information about other firms' approaches was transferred from the grafted manager to the senior managers which led to the potentially valuable idea of paying their supplier who was located in Egypt in EGP instead of in USD. The senior managers recognised the value of the idea and were exploring it. For instance the SVP stated that:

"We have an external partner just as an example who is using his local income in local currency to buy goods in Iran and re-export these to sell them against hard currency, who would if we would be buying sheep or something similar. But in fact, we are considering buying large amounts of methanol in the country. The issue is that the company which is producing methanol also would like to be paid in USD and not in EGP." [Translated from German] (AP II, 2016)

As shown, the SVP explained that this idea was similar to the business model of an external distributor they relied on in Iran to overcome the lack of foreign currency, who had developed an *"absolute successful business model of how to convert a weak local currency into something useful"* (AP I, 2016). The SVP recognised the value of the business model to cope with a weak non-convertible currency, and actively contemplated this option as a potential solution. The option was ultimately not feasible since the firm wanted to be paid

in foreign currency, but the SVP recognised the value of such conversion practices and pledged to scrutinise these ideas closer:

“That is not that easy, but there are options available, how we can operate where other companies are not able to operate anymore; that is only interesting for high margin products such as [Name of industry specific product], but if we find ways to buy something of the Egyptians and export it to Europe or elsewhere, and only to then conduct the conversion to euros then we should assess that!” [Translated from German] (AP I, 2016)

Subsequently, the SVP explained that this approach was not established before and bore a high risk which needed to be considered carefully to avoid being stuck with intermediate goods such as potatoes that may not be transferrable. He mentioned that:

“Until now this approach is seen as out of scope. Otherwise, we have to deal with products which we do not need ourselves but to buy products which we are not processing or require as a raw material, such as potatoes. But there is no-one in [Company Name] who would approve such exchange business, that we are selling methionine in Egypt and buying bio-potatoes. That is, at the moment it is out of scope, and these things should be considered carefully and thoroughly since of course, no-one wants to hoard thousands of tons of potatoes, I know, I know.” [Translated from German] (AP I, 2016)

As shown, although the SVP recognised the potential value of these ideas based on his knowledge about external partners’ approaches to a market with severe foreign currency restrictions, he pointed out that these ideas were not going to be implemented swiftly due to their associated risk. He stressed that these ideas were out of the comfort zone of the Board and thus seen as “*out of scope*” at the moment (AP I, 2016). Underlying this was that the company had no previous experience or knowledge of these practices and the associated risk seemed too large to be willing to try it out, as it could potentially threaten or diminish the higher margins, and no-one was ready to assume the responsibility of potential repercussions to be willing to approve such measures. In addition, he commented subsequently that the idea of buying and re-exporting other raw materials as the indirect competitor was doing which was an option in theory; that it was “*something which we might not necessarily want to do*” [Translated from German] (AP II, 2016).

The VP MEA explained in a meeting in Cairo in July 2016 that he perceived the risk to establish the hub as high and that he was, therefore, not in a rush to push ahead (Field notes, 2016). He stated that “*people usually figure out things. Now it is just a tightening of the belt*” (Field notes, 2016). He also illustrated his belief that the situation would improve again. His initial

confidence and ex-ante belief changed when he learned that they were not able to find a solution to the lack of foreign currency and preferred to stop the activity for the time being to avoid being stuck with a local currency that could depreciate very fast. For instance, the grafted manager explained that the underlying reason for the decision was that the VP saw a lot of back and forth with the foreign currency issue:

“At the end, no-one wants to make a decision about a risky project. And I think that when [VP MEA Name] saw a lot of, you know back and forth, and nothing clear about the foreign currency issue, he said okay, better to stop, because no-one wants to say okay go ahead and then we are stuck with some problems.” (AH II, 2016)

The Board explained that the issue came up unexpectedly. Nevertheless, they were even less willing to try out these new ideas due to the associated risk. The MDF explained that due to the associated risk they considered no need to push ahead with force since the performance was strong and the project was not seen as critical to secure performance, it was appropriate to put the project on hold until the situation would improve, to avoid committing to a *“financial adventure”*:

“In Egypt, I thought that the project is good and it makes sense since we want to grow in these countries and I know from [VP MEA Name] that we are very successful and thus I thought it is okay. On our level, there are many things which come up unexpectedly for us even though they have been discussed in the business line, since we have to approve the decisions or to make the decision, and we cannot be involved in each discussion as we would hold up the whole business. So we have to gain a picture in a short period of time and that is why it is important to know the overall strategy and how such a project fits into the implementation of this strategy [...] Yes, we have discussed this with the Board and acknowledged this as a severe challenge and that is why it is on hold for the time being. I’m d’accord with the decision [to postpone the project] since it does not help us to commit to a financial adventure in order to improve our position in Egypt, not knowing whether we will be able to repatriate our money [...] We would be able to develop the market even further, but the way it was presented it was not seen as mission-critical to secure the implementation of the overall strategy to establish the new venture. But that is why I thought it is okay.” [Translated from German] (MG I, 2016)

This belief mirrored his long-term decision-making perspective, as he underlined that there was not an urgent need to act but the investment was deemed to strengthen the position for the future. Ultimately, the company was not able to identify a solution for the foreign currency shortage before the Board Presentation.

Nonetheless, the senior managers had prepared the final Board Presentation and were determined to obtain the formal approval to be ready to establish the new hub in spite of the potential issues (shareholder and foreign currency). The SVP explained that they believed they should establish the hub but not carry out any business in local currency until a solution for the conversion had been found. He explained that the augmentation had been *“to simply be ready to start selling in local currency once more dollars were readily available”*, which mirrored his belief that the shortages of foreign currency would disappear in the near future (SVP 16.08.2016). In the email conversation between the SVP and the Board he stated that:

“All open questions are clarified, but the problems are not solved. In preparation for our establishment of the [Name] the question of how to mitigate the currency risk was raised by [MDF Name] and how to mitigate these. For the latter, there seems to be no solutions. From our perspective we are fully aware of the foreign currency problems and do not intend to do business in local currency if we do not have the possibility to convert these. Yet we want to proceed with the establishment to have the option to sell in local currency available. The concrete conditions on such sales are to be determined.” (SVP 03.08.2016)

The MDF had explained that:

“I have talked to Mr [VP Finance Name]. He sees the risk that the EGP is not freely convertible and we are exposed to a currency exchange risk which cannot be hedged. We are still approving the decision to expand the business in Egypt by establishing a legal entity. We could provide the formal approval on the 12th September 2016.” [Translated from German] (MDF, 10.08.2016)

As shown, the senior managers and the Board were keen on proceeding with the establishment in spite of lacking a solution to the foreign currency problem.

In September 2016, the SVP explained before the Board Presentation was going to be held the following Monday that they had informally given the green light to the preparations and intended to go ahead with the establishment, but planned to keep the sales volume small to avoid respective risk due to their inability to convert the local profits into foreign currency to be able to repatriate the profits back home. He stated:

“Not that we are going to accumulate EGP in the cellar and we do not know whether we will be able to convert them into something useful. Such things are approached with total openness [...] We had originally said let’s establish the new company in Egypt, even if we can only use it to a very limited extent, to be ready once there are better conditions and once more dollars are readily available to convert the EGPs.” [Translated from German] (AP I, 2016)

In addition, the SVP explained that:

“Argumentation [to the Board] has been simply that we want to be ready to go with the new company once we have a solution for the foreign currency problem.”
(SVP, 16.08.2016)

As shown, the senior manager wanted to obtain the approval, even though the MFD and the SVP saw the risk of not being able to repatriate the earnings, but considered it appropriate to proceed to establish the new venture based on their belief that the foreign currency problems were going to ease soon. The SVP believed that they were able to handle the challenge of lacking foreign currency for the time being by relying on the existing routines i.e. keeping the sales volume low and waiting until the problem would disappear, illustrating their belief that they were able to expand according to their preferences.

Ultimately, in light of the increasingly difficult situation and when the foreign currency availability reached an unprecedented shortage in September 2016, there were increasing signs that the host government had to reach a deal with the IMF to fill in the funding gap and to avoid political unrest. The host government was negotiating with the IMF to cope with the increasing balance of payment imbalance, and the shortage of foreign currency meant the need for financial assistance was greater than ever. The senior managers considered these developments reason to deviate from their plan.

The senior managers considered it appropriate to obtain the formal approval but to postpone the implementation of the hub in light of both the regulatory uncertainty and inability to secure the foreign currency supply. In other words, they attributed the experienced challenges to the market and saw it as appropriate to wait for the conditions to improve so that they could expand according to their preferences rather than committing to potential useful solutions that posed a potential high threat. For instance, the SVP stated that:

“The main reason [for postponing the hub project] was that we were informed through our connections to the Egyptian Government that the [Foreign Direct Investment Regulations] were supposed to be changed again. We had originally said let’s establish the new company in Egypt, even if we can only use it to a very limited extent to be ready once there are better conditions and once more dollars are readily available to convert the EGPs. At the moment there are increasing signs that the regulations and legislation are being reviewed in their entirety. So we are saying, okay, that half a year is not worth it, we rather await what the new regulations will postulate; maybe the 0.01% will be taken out, then it would be easier for us, since once we have established the company, and I personally doubt that we will find a shareholder for 0.01%, but rather for 1% or around that. Then we would have done it and four weeks later the new law would state that you do not need that anymore - and what should we do then? Do you understand me? Since something is being cooked we said we will postpone it for half a year.

Especially since we are not able to carry out larger business transactions until we cover the Egyptian expenditures due to the foreign currency exchange problems.” [Translated from German] (AP I, 2016)

The SVP added that:

“Yes, yes, we were aware of the foreign currency problems. This, for instance, is one of the reasons why the warehouse project was hampered. The currency was and is now an unsolved issue, and there are announcements that the regulatory framework is going to be changed again, which for us is another reason why there are delays. What these countries often do not understand, is that Western partners need relatively strong safety in order to make investments even for the establishment of such an entity. We do not want to do that for two weeks, but that should be a permanent part of the business, and if we are not able to do that or have the feeling that it will break tomorrow, then we are not bothered to do all the work today. And that is what many do not understand, that we need a certain consistency and reliability.” [Translated from German] (AP I, 2016)

In other words, they blamed the non-transparent and volatile market conditions for their inability to penetrate the market according to their preferred logic. This perception seemingly allowed them to rationalise the decision to postpone the hub project in spite of the contrasting information that the grafted manager had provided of how other firms were able to cope with the issue better than they were able to:

“No, you can actively do a lot of things, but we are in a very risk-averse company and we also have to take this into consideration. So, for example, doing a local warehouse, this is a project which we could do, not only in Egypt but also in other countries. But ja, if the company can’t take the risk and have the courage to really go there and work and maybe also have the flexibility that if they have Egyptian money or Moroccan dinar or whatever of these local currencies, they can also do other things. For example, if you have 20 million euros or 10 million euros in EGP you cannot transfer outside. Maybe you can re-invest this money in something else, ja? Open a small factory for example or buy a, I don’t know, do a fermentation factory in a free zone, make a bigger office, buy your own warehouse, but this flexibility is not there also, so it contributes to having the problem not solved. I think we can do a lot, but the problem is courage and flexibility; we go back to the reasons of success, ja?” (AH II, 2016)

The grafted manager considered the senior managers beliefs of how to expand as unsuitable to address Egypt’s unique challenges and more volatile market requirements compared with more advanced and stable markets.

Admittedly, after having been confronted with the information of others who were able to address the lack of foreign currency, the SVP did recognise the lack of flexibility as the underlying issue. However, he explained that the lack of foreign currency availability and inability to address it on their own meant that the alternative was to rely on the existing

routines, or to rely on other firms (which were discussed) which had been able to cope with the lack of foreign currency better than they were able to:

“But in the moment where I have companies such as [Global Customer Name], I have the option do I give my business to [Customer Name]? And I say to the [Customer Name] we cannot do it, we are not flexible enough as a company; you should do it. But then we are not as close to the customer and we are only a supplier, which is easily substituted at [Customer Name].” [Translated from German] (AP I, 2016)

The senior managers were hanging onto their desired outcome and decided to postpone the project until the conditions would improve so that they were able to expand according to their preferences. As such the grafted manager explained that they were going to re-assess the project in Q1, 2017:

“I said that I only want to have a time period to maybe evaluate the situation again in Q1. It could have been Q2, but Q2 seems a bit far away so I said okay let’s look into this situation again in Q1 to see if things really changed.” (AH I, 2016)

The determination of the senior managers to not give up the preferred outcome of the expansion process in spite of the experienced challenges seemingly prevented the grafted manager from stopping the project. However, after the senior managers recognised the knowledge gap he was able to propose an alternative solution. The grafted manager had observed that many trading customers were still able to pay them in foreign currency in spite of the difficult situation, and he had inquired how they were able to do so, discovering that they had developed partnerships with other firms to gain access to foreign currency (Field notes, 2016). He believed it was more effective to find an alternative way to address the increasing competition and repercussions on the sales performance. He believed that the situation may not improve and that it was more appropriate to develop an alternative solution to cope with the challenge:

“I was back then, two months ago or when we went to Cairo, I thought I was not feeling good about the project continuing, so I thought there should be an alternative strategy as well. And for me the alternative strategy was to commit to two, three, four distributors who can have access to foreign currency better than others in the market. Then we can work with them until we have a solution for this project.” (AH I, 2016)

He added that this was from him the best plausible alternative to what they had tried to do:

“Same aim, but okay a little bit different because we don’t have control over the distributor, but I think we can be close. This is the closest thing to the model that we wanted to do.” (AH II, 2016)

As shown, he explained that in light of the experienced challenges he considered it pointless to keep trying to establish the new hub in the preferred manner if it was clear that the company was not going to be able to address the lack of foreign currency. Accordingly, as we will see later in Phase IV, he informed the VPs on 29th September 2016, two weeks after the Board proposal, about his alternative plan. This alternative plan was aligned with their past experiences and had influenced their belief that if the firm was not able to address the market challenges on its own, relying on external partners can be an effective low-risk approach, which catered to their values and preference to avoid substantial risks.

In November 2016, the SVP attributed the reason for the delay again to the market (although this time to high inflation) and explained that the consequence of the decision to postpone the project meant that they would rely on international traders who had better means to source foreign currency than they had:

“At the end of the day, it is leading to the postponement of our ideas. We had the idea to sell directly locally in local currency, but in a country with such unstable currencies, you are not able to sell as you are not able to keep up with evaluating our inventory. This means we will continue to sell in USD and that means in principle we need a bank guarantee, a letter of credit, or we are selling against cash in advance, or we are selling to an international distributor which has other means to acquire and convert the local currency in USD or also euros. There are options and this was and is how we were able to do business in Iran over the past years. So what is left is to pay our employees in local currency which we are earning but that is not too much volume which we are able to sell. That is why we do not have much use for the EGP.” [Translated from German] (AP II, 2016)

As shown, the senior managers had learned that other firms had found means to overcome the challenge and that they had not been able to do so. This direct learning experience changed the perception to recognise that they were not doing so themselves. All that was left was to rely on the existing routines of paying local expenditure in local currency which did not really enable them to address the lack of foreign currency effectively. The SVP had been made aware by the grafted manager that other firms had better means, which resonated with their experience-based knowledge that relying on external distributors and firms that are able to convert the local currency offered a safe alternative. They preferred this option of being able to sell the goods without having to bear the risk of sourcing and of the depreciating exchange rate, based on their past experiences in Iran. This past experience

shaped the belief that it was appropriate if the firm was not able to address the challenge on its own, and created a willingness to rely on these distributors as a means to overcome the challenge. Additionally, as shown in Phase IV, they knew from experience that relying on the external distributions was an effective means to serve and penetrate new markets, but that these can be sacked any time if the conditions would improve, so that the desired outcome and higher margins was still feasible to be achieved in the mid to long run.

Nonetheless, the senior managers were refuting the reality on the ground. The grafted manager's attempts to inform senior managers that they were not flexible enough to overcome the challenge did not work and the senior managers still attributed the challenges to the external market context and held on to the desired outcome of the wholly-owned subsidiary. One underlying reason for this perception was that the senior managers' personal pay off and respective value attached to this outcome was very high and they were reluctant to deviate from it, especially given that they had believed that they were able to address the challenges. The new information and direct learning experience challenged their ex-ante belief which they were seemingly reluctant to accept given that they were holding onto the desired outcome.

All in all, the findings show that the senior managers and the grafted manager had different perception of what the challenges were to be able to implement the project, different perceptions of how to address the market context, and attributed the experienced challenges to different issues when it came to addressing the different market conditions along the process. The senior managers, on one side, perceived the market conditions to be uncondusive to allow them to expand according to their preference of a wholly-owned subsidiary, and blamed the volatile macro-economic conditions for their inability to establish the new venture according to their original timelines. The grafted manager, on the other side, perceived the senior managers' decision-making attitudes and norms and the respective decision-making processes as too cautious and rigid to be able to cope with the volatile and uncertain market conditions in the host market. As we will see in more depth below, he believed that the firm needed to be flexible and willing to try new ideas out to cope with the challenge.

These different perceptions of the underlying issue impeded the company's capacity to absorb the new 'out of the box' ideas as potential valuable knowledge in order to address

the different market conditions and challenges. Admittedly, the senior managers did recognise some of the ideas as valuable; however, the Board was not willing to approve these based on the perceived uncertainty of entering a “*financial adventure*” which could threaten the profitability and survival of the subsidiary. The perceived risk was too great and they justified their decision to postpone the hub based on their belief that the situation was going to improve to allow them to expand according to their preferences. This belief allowed them to refute the contrasting knowledge presented to them.

4.4.4 Second–Order Categories: Expressed Attitudes, Beliefs, and Values of Managers

The first order concept #4, legal barriers, revealed how the different regulations and the underlying values and beliefs prevented the transfer of implicit market-specific knowledge of how to address the lack of foreign currency. More profoundly, the first-order concept of individual perceptions #5, revealed how the grafted manager and the group of senior managers had different beliefs and assumptions of how to expand, they had different ex-ante perceptions of the firm’s ability to address the host market conditions, they attributed the experienced challenges to different factors and they had different logics for actions to address these challenges. These different perceptions of the challenges, what these were attributable to, and the different beliefs about how to address them, can be explained by the underlying differences in the experiences and respective imprinted values and beliefs between the grafted and the group of senior managers. The different perceptions were based on the different past experiences of the grafted manager who acquired values and beliefs according to the volatile and in transparent conditions in the host context, and the senior manager whose values and beliefs were shaped by the experiences and conditions in the stable and transparent home context.

The value-coding enabled the author to capture the expressed attitudes and beliefs of the managers on the surface to identify and illustrate the strong differences in the underlying values between the grafted manager, on the one side, and the group of senior managers, on the other side as shown in Appendix 9.6. These cultural differences led to cognitive differences which prevented the senior managers from recognising the new grafted knowledge as valuable and appropriate to transfer it across the managerial hierarchy into the firm’s knowledge pool by transforming the ideas into an actual capability. The underlying

connection between the perception of the challenges and the cultural attributes in terms of values, attitudes and beliefs was initially revealed when the company was confronted with the local shareholder regulations. As was shown above, the senior managers had a fixed preference based on their belief that it was only worthwhile to invest in a new entity if the future profits were not to be shared to a significant extent, i.e. more than 1%, to secure the future profits. This preference and belief was so strong that when the managers were confronted with information that they required a local shareholder, albeit only with a minimum ownership percentage, the senior managers had expressed antagonistic attitudes towards these regulations, referring to them as “*incomprehensible*”.

This preference and the high value attached to the preferred outcome shaped the perception of the senior managers. The senior managers considered any deviation from their rigid framework as a “*no go*” and were willing to abort the project if the minimum shareholding percentage was going to be exceeded. Based on the increasing pressure on the senior managers to achieve the inflated sales goals, they were concerned that they were not able to fulfil their preference for a wholly-owned entity to safeguard the future profits. The underlying reason for this was that the senior managers’ remuneration and personal pay-off was great if the new venture provided significantly higher margins as their remuneration schemes were strongly linked to achieving the annual sales targets. In other words, the host market regulations jeopardised their ability to fulfil their preference of how to expand abroad driven by their mental framework and actual remuneration model, illustrating that the cultural attributes in terms of values, attitudes, and beliefs shaped the perception of the challenges facing expansion, which the managers attributed to market conditions, as it was against their beliefs that host countries should allow them to employ their foreign direct investment without being required to surrender a shareholder percentage just to be allowed to import in the respective country.

More importantly, along the preparations for the implementation of the hub project the availability of foreign currency became severely restricted and the exchange rate of the local currency was significantly devaluing, reaching an unprecedented value of 15EGP = 1 USD (Grafted Manager, 20.10.2018). This severe and unprecedented lack of foreign currency had challenged the firm’s ability to establish the new venture, and the grafted and senior managers had recognised the lack of foreign currency as a critical issue to be addressed in order to be able to establish the new venture and to avoid severe repercussions on their sales

performance. In spite of the convergence of perceptions on both sides of what would mitigate the lack of foreign currency, the grafted manager and the senior managers had very different perceptions of what the actual underlying reasons were for this major issue, and different logics for choosing a course of remedial action to enable further investment into the foreign market.

The grafted manager considered the lack of foreign currency as manageable and perceived the internal firm's processes and underlying managerial cultural attributes as too *"risk-averse"*, lacking *"entrepreneurial skills"*, *"flexibility"* and *"courage"* to be able to cope with the ongoing and unique challenges in the host market. When the unforeseen challenge emerged the grafted manager provided the senior managers with information and knowledge of how other firms were coping with the challenge. As was explained above, this knowledge was used to generate new 'out of the box' ideas to address the lack of foreign currency, such as to build a re-packing factory in the free zone in the host market. These ideas reflected the grafted manager's experience-based belief to act with *"entrepreneurial skills or entrepreneurial spirits"*, *"flexibility to innovate"*, and to come up with *"new ideas"* and the *"courage"* to try these out to address ongoing and unique challenges in a prompt fashion:

"But this flexibility is not there also, so it contributes to having the problem not solved." (AH II, 2016)

The senior managers, of course, valued low risk and believed that maximising profits in a new venture required a *"step by step"* approach. The senior managers were keen to explore the new ideas as they were *"interesting"* and *"exciting"* (AH III, 2018), but were concerned the potential risk was stronger, so that they stressed these had to *"be considered carefully and thoroughly, since of course, no-one wants to hoard thousands of tons of potatoes"* that would incur substantial risks (AP I, 2016). Whilst the senior managers were willing to put these ideas on the table, the Board perceived them as a *"financial adventure"* that was too risky to implement. As shown above, they were seen as overwhelming to handle, since the firm had no experience in these types of operation. Based on the lack of knowledge the options appeared uncertain and the associated risk was seen as too large to be willing to try it out, as it could potentially threaten or diminish the higher margins, and *"there is no-one in [Company Name] who would approve such exchange business."* (AP I, 2016)

The deeper reasons for these ideas seeming “*out of scope*” and not being taken forward was, therefore, the deeper cultural differences, i.e. values and beliefs, which affected the perception of these potentially valuable ideas. As shown above, the senior managers and the Board believed based on their past experiences that the availability of foreign currency was going to be resolved in the near future. They believed that it was not worthwhile committing more resources for investments which were not necessary, except to solve the lack of foreign currency, and so would implement the new ideas by investing in a means such as the re-packing factory to overcome a temporary issue which could potentially threaten the profitability of the new venture. In the eyes of the superior managers the issue was going to be resolved soon and thus was not going to affect the establishment of the venture significantly, since it was seen as an investment for the next ten years. Ultimately, the Board did not perceive the need for the hub as urgent enough to justify embarking on a “*financial adventure*” by trying out one of the ‘out of the box’ ideas.

Based on this belief, the senior managers decided to postpone the implementation of the hub project until the conditions would improve again: until market conditions would fit their beliefs and assumptions of how to expand abroad. Most strongly evident in the SVP’s statement, as we saw, was his view that:

“What these countries often do not understand, is that Western partners need relatively strong safety in order to make investments even for the establishment of such an entity [...] We do not want to do that for two weeks, but that should be a permanent part of the business [...] And that is what many do not understand, that we need a certain consistency and reliability.” [Translated from German] (AP I, 2016)

The perceived uncertainty and belief that the conditions may change for the better supported the logic for action to postpone the establishment of the hub and wait for the new regulations to come into place, and they justified this decision by drawing on a long-term decision-making perspective. For instance, the VP MEA added that:

“The decision is like a set of scales – where one is trying to weigh up the potential risk against future earnings. One knows that the profits will come, but one has the risks that these will not materialise immediately but in the long term, one is trying to justify the decision this way.” [Translated from German] (HR I, 2016)

Admittedly the SVP recognised a lack of flexibility within the firm in the company’s decision-making. After the learning experience of having tried to address the lack of foreign currency and being confronted by the grafted manager with the information that other firms were

able to do it better than they were, the SVP acknowledged the inflexibility in company thinking:

“This flexibility is not the thinking of the company, we have mostly one way streets; in the industry where I worked before, in the [Industry Name], there were many business processes which were mutual, which means the farmers bought our feed and we would have bought their wheat. That was totally common practice, but this philosophy is not present in [Company Name].” [Translated from German] (AP I, 2016)

Though the SVP made this concession and acknowledged the grafted manager’s view, the firm remained reluctant to accept the reality on the ground, maintaining their attribution of problems to the market and the belief that they could expand according to their preferred model later. In other words, they were not really accepting that they had lacked the required knowledge to be able to address the host market conditions.

The German managers assumed that there had to be “*consistency and reliability*” for them to be able to make an informed investment decision for the long term. They believed based on their past experiences that this was a fixed parameter which had to be resolved by the government in order to attract foreign direct investment and that the situation would improve again. Accordingly, they perceived this challenge as something out of their control, beyond their own strategic capacity to overcome. In their eyes it was, therefore, best to await this improvement rather than to potentially risking maximising the profitability of the new venture for a temporary issue. The German managers’ mind-set was used to operating in a stable market environment. This experience leads them to assume that “*things will change for the better*” (Field notes, 2016) as well as to value and belief in a long-term decision-making perspective based on the assumption that things will not change dramatically from today to tomorrow. For instance, this belief was mirrored in the Board Decision where the senior managers justified the postponement based on the perceived high risk and assumption that the conditions would improve in the near future. For them, their internalised business model was fixed and universal and an external reality that did not fit it could only be a temporary aberration.

The grafted manager of course believed that the lack of foreign currency was a chronic problem that might not disappear for good; it was a fundamental element in the market environment of Egypt, not a passing blip. He explained his underlying experience-based belief based on the analogy of your neighbour’s house: “*in the Middle East your neighbour’s house*

may disappear overnight, which is normal, but unthinkable in Europe" (Field notes, 2016). The grafted manager had experienced this first hand when the biggest players really did go out of business in the host context overnight as foreign currency availability had worsened (Field notes, 2016).

Based on this experience, as shown in Appendix 9.6, the grafted manager had not attributed such a high value to minimising the risk via the comprehensive and lengthy assessment process, as by the time an outcome was determined the market would have changed again, and the process would be superseded by new facts on the ground. He illustrated his belief that the company's decision-making processes were not flexible and agile enough to respond to emergent threats by stressing the underlying flexibility of their competitors which would not be feasible without undergoing a comprehensive assessment which limited their ability to react promptly:

"They have both classifications as end-user and distributor and this flexibility [author's emphasis] makes them have access to foreign currency better than if they are only classified as a distributor [...] But within [Company Name] to make such a proposal and change takes a long time, maybe another two years in the project life and then the market would have changed completely." (AH I, 2016)

He added that the example of obtaining Board approval to illustrate that he believed that the company was too slow in making decisions to be able to cope with the fast changing conditions such as the lack of foreign currency:

"We have been running after Board approval since the beginning of this year. And we are only getting it in September - already nine months." (AH I, 2016)

The routine process of exploring "*what-if questions*" in depth to avoid and mitigate risks, which the senior managers valued and considered necessary to explore the potential solution ideas, was in his eyes restraining the company's ability to respond to emerging challenges in a timely manner:

"I think it's a fifty/fifty chance as long as the company has the same thinking. Because even if the situation eases and you have foreign currency available, we will be asked to update the project documentation again, and make a risk assessment again, and to make all these kinds of analyses and assessments which will take us maybe another half a year. And by that time if something changes maybe someone will say stop it and don't do it again [...] So for example, we have a decision to make the company, the Board already approved, because no-one would say no, but okay we didn't do anything so what the importance of the decision now? Ja? I'm sure if in a couple of months' time, I mean if things are okay,

we have to go back to the Board, but why back? They already took a decision, yes? Ja. Then it is a decision that has no meaning in my opinion. Because you will need to renew it anyway. Can I do the company tomorrow? Even though I have the decision?!" (AH II, 2016)

As shown in Appendix 9.6, when the author probed the grafted manager about how and why the company had not been able to address the different market context, despite having access to the grafted (culture and market) knowledge, the grafted manager elaborated that: *"one of the qualities I have in managing, as the manager, is flexibility; high flexibility"*, and in his perspective the company lacked *"flexibility and courage"* to *"innovate"*, and generate *"new ideas"* to be able to address *"ongoing"* and unique challenges such as *"civil wars"*, or the *"financial limitations on foreign currency"* (AH II, 2016) that emerged in the MENA region compared to Europe in the last thirty or forty years:

"For anyone working in the market, he has to have this flexibility otherwise he will lose long term." (AH II, 2016)

He elaborated that underlying this flexibility is the entrepreneurial spirits to be able to change things:

"To change things radically, or always, it's like, you need to have entrepreneurial skills or entrepreneurial spirit, and otherwise you will not have the motive to change things [...] I think this company can be much better, but this company [...] the internal challenges are always very high, to also, ehh, for anyone who has entrepreneurial, to pursue that. Some people may say, 'why should I show this entrepreneurial skill, just kill it, because everyone around me wants me to kill it'." (AH II, 2016)

The grafted manager attributed that the underlying reasons why the ideas had not been taken forward was due to the overwhelming nature and the inherent risks of the new ideas. He stated that:

"Out of scope means too overwhelming to handle, you know it is a very exciting idea, but it is overwhelming at the same time and we are not sure if we can handle it in a right way. So, it is better to stay with our routine way of doing things." (AH III, 2018)

The grafted manager's potentially useful ideas were seen as not aligned by his superior managers with their values and beliefs and logic for action and respective preferences. These deeper cultural differences affected the ability to transfer and absorb the new potentially valuable ideas to address the unforeseen challenge of foreign currency shortage and the

wider knowledge gap between the extant firm's knowledge base and the knowledge required to operate successfully in the new host context.

After the ideas were rejected and the senior managers were still holding onto the desired outcome, the grafted manager prepared an alternative plan based on his belief that it was more effective to find an alternative way to address the increasing competition to avoid losing further market share. He explained that in light of the experienced challenges he considered it pointless to keep trying to convince the seniors about his ideas to be able to establish the new hub in the preferred manner if it was clear that the "*internal challenges*" to get an approval were too high so that he was motivated to belief that the company was not going to be able to address the lack of foreign currency on their own. After this experience, the grafted manager was motivated to suggest an alternative solution which resonated with the senior's values and beliefs of how to act. Underlying is that his efforts of having tied to convince the seniors had been very energy consuming and he felt based on his past experiences of having worked long hours in the past that it was not worth to incur the extra efforts and potentially to risk is own health in keep trying to convince them since his salary would not change irrespective of whether they would establish the new venture or not:

"I mean it also takes a lot of your energy and it's not only a matter, we are not robots of course, it takes a lot of your energy and your health, so why would you fight, I mean I'm a person who would say, why would I ruin my health or this company to be better if I have too many challenges in something I find another way but why would I ruin my health? If I have too many challenges in something I find another way but why would I ruin my health? [...]" "But then the question, it helped me on the personal level maybe, eh but if I had died at that time because of something what would this company do, simply replace me. [...]" You always need motivation and this company is not a good company in giving motivation. Not like American companies, maybe an American company would tell, okay, you look we now give you a free hand to increase your business in Egypt or triple the business and we will give you maybe 10% of the profits. This would never happen in a German company [...] So your motive to really fight and to really work long hours and to really do something to increase the profit whilst having the same salary and bonus system, what is the motive then? [...] So it kills somehow the entrepreneurial skills to get to the top, ja? And it kills also people to be motivated to fight really to the last minute, you can fight, everyone is fighting I'm sure for his company, but to what extent? You always stop at a certain point, ja? And you say more than that no one will appreciate it. No one wants to feel ja okay I'm fighting for the company, but you know no one is appreciating it (AH II, 2016)

Eventually, he believed that it was more effective for him to propose and alternative solution which would mitigate the impact on the sales performance instead as the seniors who were

still holding onto their desired outcome in spite of the experienced challenges. He explained that the lack of progress and impact on the sales performance made him believe it was appropriate to suggest to rely on the external distributors to cope with the difficult market conditions, which mirrored his belief to be flexible to cope with the challenges. He explained:

“I’m also the kind of a guy who gets bored easily when I know things are not going to work. I don’t like to go with a certain topic for five years, ja, keep pushing it and at the end I know it’s not working. I like to maybe think of something else better, ja?” (AH II, 2016)

Based on these beliefs, ultimately, the grafted manager proposed to the senior managers creating external distribution contracts to address the impact of the unforeseen challenge on the current sales performance and to fend off the increasing competition. This alternative idea was swiftly accepted as it resonated with the extant experience-based knowledge of the senior managers that other firms have developed successful business models to convert local currencies into foreign currencies in spite of shortages and in their values and beliefs it was appropriate to rely on those other firms (which were discussed) which had been able to cope with the lack of foreign currency. This alternative allowed the managers to avoid committing to substantially risky ideas whilst enabling them to maintain market access and receive the earnings in foreign currency.

The solution, however, only became acceptable after the senior managers learned that they were not able to cope with the challenge on their own. The experience changed their willingness to deviate from the desired outcome and strategy. Accordingly, they saw it as an alternative to rely on these customers and indirect competitors to overcome the lack of foreign currency, although it created the risk of being easily substitutable and thus was not seen as aligned with their strategic preferences. Most importantly, this alternative option was aligned with their past experiences and had influenced their belief that if the firm was not able to address the market challenges on its own, relying on an external partner could be an effective low-risk approach. In particular, the senior managers knew from their past experience in Iran that it was a safe bet to work with external distributors who had better means to cope with the issue as they did. This past experience had shaped the belief that it was appropriate to rely on such an approach if the firm was not able to address the challenge.

Overall, the findings revealed that the interpersonal cultural differences affect the transfer of the new grafted experiential knowledge within the firm. The second-order categories

enabled us to identify the connection between the cultural attributes of the individual actors and their cognitions which had shaped the actors' perceptions of the challenges, what these were attributed to and their logic for action to address them. Revealing the underlying cultural differences between the grafted manager and the group of senior managers including the Board of Directors enabled the author to illustrate how the cultural differences had affected the perception of new knowledge and thereby the ability to transfer and absorb experiential knowledge successfully on managerial level within the firm to close the knowledge gap to be able to operate successfully in a culturally-distant context.

4.5 Event Sequence 4: Board Decision Outcome and Alternative Solution (September 2016- December 2016)

After the Board received the official Board proposal from the SVP on 28.07.2016 the Board meeting was held on 12 September 2016 (Field notes, 2016). The Board of Directors approved the project conditionally, but it was decided to hold the establishment and to re-assess the project on Q 1 in 2017. This meant that the company was still exposed to the lack of foreign currency and the competitors who were selling in local currency had a competitive advantage vis a vis the company. In order to mitigate the impact on the sales performance, the grafted manager prepared an alternative solution of creating external distribution contracts. The grafted manager explained that he knew that the established traders had better access to foreign currency than they had; that this idea was based on his personal experiences and knowledge in the market. He linked this response to his personal values and beliefs:

"The only guarantee that you can be successful in such market conditions is that you stay with your historical customers, the customers you have known for a long time, you know they are honest, they will always pay you, but they are facing tough conditions now. Maybe they delay a little bit in payment, but again you know them very well that they will pay you; they want to pay you. it's not like they want to play games, ja? If you get all in the market, you have passed a lot of challenges throughout this time period and you know how to deal with such sudden challenges. But if you are a new one, like [Customer Name] or [Customer Name], every new challenge to you takes time until you realise how to deal with it. [...] And if there are tough foreign exchange conditions, it is better if you limit your business to three, four customers or traders who are having good connections to financial institutions and to foreign exchange offices, where you can get foreign [...] Where is better possibility to get foreign money than others?" (AH I, 2016)

And he added an illustrative domestic analogy:

“I like to always relate this to personal life. I have a wife, I am married since 2001, so fifteen years I’m married now. If I tell her I’m going to marry new lady now, she feels committed to me? Believe it or not business is like that because business is, means also, you deal with people.” (AH, II, 2016)

As shown the grafted manager relied on his personal experience-based knowledge to propose and implement the alternative solution which was guided by his personal values and beliefs of how to act in light of difficult situations. The grafted manager did not only have the idea for some time but had actually prepared the alternative solution along the way, even though technically the decision that the hub would not be established was not made yet. Before the Board decision had been made, the grafted manager had been intending to reduce the number of trading customers to four or five to avoid too much cannibalism between their own warehouse and the distributing customers. Since July 2016 the grafted manager and the author had been conducting a trader assessment along the warehouse project. Whilst the original intention of the assessment was to accompany the warehouse project, the grafted manager changed the purpose to actually mitigate the impact of the tough market conditions after he perceived increasing signs and he *“was not feeling good that the project will continue.”* (AH II, 2016)

Accordingly, the grafted manager seems to have relied on his own personal knowledge about the market and the firm to put an alternative solution in place which addressed the market pressure whilst catering to the company’s unwillingness to take potentially risky approaches to be able to convert local earnings to repatriate the profits back home. The behaviour mirrored his own values especially that of flexibility, and the alternative solution enabled the company to respond to the challenges to avoid further repercussions on their own sales performance.

After the decision to freeze the project, the grafted manager codified his personal experience-based knowledge in order to explain and convince them how and why it was necessary to create the external distribution contracts. The grafted manager stated that he believed it was critical to defend their leading market share through this measure:

“I believe this step comes at a very crucial, important time and will sustain our strength in Egypt. Reasons for that: [...] Having our own distributors is a step which brings us in compliance with expected GSO [Global Tax Regulation Name] changes, as we need to have our own internal or external distribution and since the internal distribution is still under question and risky to establish, the alternative solution is those external distributors. [...] Our distribution partners

will feel committed to us by these contracts and so we will benefit by using their sales teams in the market to send our technical and value messages through, and be able to defend our position against well-established distributors who work for [Competitor Name] and [Competitor Name].” (Grafted Manager, 29.09.2016)

As shown, the grafted manager explicated the experiential market-specific knowledge and experience-based knowledge to explain how and why the alternative solution would be able to address the difficult market conditions in a low-risk manner, shifting the challenge to the distributor instead of having to deal with the foreign currency challenge on its own. Whilst the senior managers had consistently tried to avoid this outcome at the beginning based on their impression that they had acquired the relevant knowledge to establish their own legal entity that would have enabled them to obtain higher margins, their direct learning experience altered their perception so that they were willing to deviate from the outcome for the time being. This was especially the case since they knew from experience that external distributors could be convenient to address this issue when the company was not flexible enough, and equally importantly that they could be sacked anytime if not needed anymore. In other words, they were seen as a temporary solution before proceeding to establish the new venture and increasing the sales volume step by step, to switch eventually to selling it all directly via the internal distribution aligned with the superior managers’ value driven preferences (AP, I, 2016). For instance, the SVP explained that they knew from past internationalisation experiences that:

“We are doing these activities, I remember a number of years ago in India, it was very similar, we had started with employing technical staff and were looking for local distributors who had carried out the business, and at some point we had said the margin the distributors are making, we would much rather obtain it ourselves. This was followed by sacking the distributors mostly when the product was short in supply, and they were supposed to get the product elsewhere. We terminated the relationships. We had said guys you earned enough money from us, we are doing the distribution now on our own. And that’s how it will continue in most parts. Building up and preparing via technical staff, import the goods via local distributors who are carrying out the distribution and then at the right time switch to our internal distribution. That is in principle our classical way [...] That is in a few words how the process evolves, some times faster than other times.”
[Translated from German] (AP I, 2016)

The grafted manager was, however, only able to convince the senior managers about the value of the alternative expansion strategy after they had taken the company through the direct learning experience of slowly trying their preferred tactics and based on performance feedback - seeing conclusively that the preferred outcome was not feasible amidst the encountered knowledge gap. This direct experiential learning process was slow and steady

but seems to have made it possible for the managers' cognitions to be incrementally altered to finally perceive the lack of flexibility as the key reason for their inability to internationalise faster. The extant knowledge base and underlying beliefs of the senior managers that they were ready to address the host market conditions were placed in contrast to this reality, and seemingly led to learning about the firm's knowledge base to recognise the lack of flexibility in the thinking and the consequence for the firm's ability to address the encountered challenge.

Ultimately, the reason the alternative solution of creating external distribution contracts instead of creating a wholly-owned subsidiary was swiftly accepted was due to it being consistent with the senior managers' values and beliefs (keeping the risk levels low whilst maximising profits) which were acquired during past experiences and embedded in their internationalisation knowledge (to rely on an external distributor if the firm was not able to address the lack of a weak foreign currency). As a result, this alternative solution ultimately resonated with the extant internationalisation knowledge and underlying core values and beliefs of the key decision-makers - i.e. to maximise the profits whilst minimising financial risk. The experience-based knowledge was, therefore, easier to understand and was considered to bear less ambiguity, uncertainty and risk by the key decision-makers, enabling the grafted manager to finally employ his experience-based knowledge with the firm-specific internationalisation routines and operations. This shows that the grafted manager used his market-specific and general experience-based knowledge to propose an alternative solution that resonated sufficiently with the senior managers' internationalisation knowledge to meet the decision-makers' underlying values and beliefs that were embedded in their 'dominant logic' and was thus accepted as an alternative means to penetrate the market until conditions would improve. Subsequently, in October 2016 the grafted manager started to negotiate with the key trading customers and was about to set up non-exclusive distribution contracts to address the severe market challenges to safeguard the local earnings and create the ability to penetrate the market further.

Finally, on 11 November 2016, the IMF and the host government reached an extended arrangement under the extended fund facility for Egypt which resulted in the free-floating of the foreign currency, which had been state-regulated before, in order to alleviate the severe lack of foreign currency (IMF, 2016). This free-floating resulted in a further sharp depreciation of the currency, by 32%. The treasury department informed the managers that there was:

“There is light at the end of the tunnel to solve our problem [...] many aspects are still unclear such as foreign currency acquisitions while retaining the previous allocation according to the importance of the imported goods. As a matter of principle foreign exchange rates are likely to be eliminated in the future and theoretically it is possible for companies to convert local revenues or credit balances into pounds to transfer them abroad. It is questionable how quickly this will be feasible against the backdrop of widespread foreign currency shortages and a considerable backlog of foreign currency payments.” (VP Finance, 03.12.16)

As shown, the lack of foreign currency was going to be resolved but with no guaranteed time scale as to its full feasibility. This demonstrates that the senior managers’ belief that the conditions would improve would probably become fulfilled eventually, and the decision to postpone the project, therefore, would enable them to expand according to their assumptions and preferences.

4.6 Summary

The narrative posits that grafting – i.e. hiring an individual manager with the relevant experiential knowledge - allows explicit information and knowledge to be shared, but in this case the implicit market-specific knowledge and experience-based cross-cultural knowledge, referred to as the experiential internationalisation knowledge, were neither transferred nor absorbed within the firm along the internationalisation process. The narrative reveals how experience-based knowledge was difficult to transfer at the beginning of the process based on the implicit and subjective nature of personal knowledge. It was revealed that the experience-based knowledge was being embedded and intertwined in the individual cultural attributes. The experience-based knowledge thus was subjective, which made it hard to explicate and to transfer on a managerial level due to the different, partly contrasting values, attitudes and beliefs held by the grafted manager and the senior managers. This prevented the grafted manager from transferring his experience-based knowledge and made him reluctant to share his concerns, which were against the senior managers’ ex-ante beliefs, but could have allowed the senior managers to recognise their knowledge gap in advance.

Given that the managers had different stocks of experiences and respective experience-based knowledge, they also held different assumptions and beliefs about how to expand abroad, different ex-ante perceptions of their ability to address the host market context, and attributed the experienced challenges to different factors, as well as different logics for actions to address their encountered challenges. Whilst the grafted manager considered the senior managers’ attitudes and beliefs incompatible with the host market conditions, the

senior managers were confident in their ability to address the market based on their past experiences, and were determined to establish the hub. This belief was driven by the erroneous impression that they were able to transfer existing know-how from South Africa to address the challenges in Egypt, and the need to address the increasing competition to achieve their sales budgets.

When it came to implementing the new venture according to the senior managers' preferences, the process was delayed and halted in light of two significant issues: the need to find a local minimal shareholder as well as to secure the local earnings in light of the volatile exchange rate, and the later unforeseen issue of severe lack of foreign currency. The company had recognised the significance of the latter issue later on since the new venture was not going to help them to fulfil the inflated sales budget unless the profits were easily transferable outside the host market. They had been trying to transfer existing know-how and routines, but the senior managers learned through the experience of trial and error that the extant internationalisation knowledge and approach were insufficient to address the knowledge gap and the contextual differences.

Further, the managers had been searching for a new solution to the unforeseen issue of unprecedented lack of foreign currency. The grafted manager had shared several new 'out of the box' solution ideas that were based on business models of competitors and customers and his own beliefs that one needs to act with entrepreneurial skills and flexibility to be able to cope with ongoing and unique challenges such as the lack of foreign currency. The senior managers were unwilling to accept these ideas, since they were seen as "*out of scope*" and too risky to implement, which was against their beliefs about how to expand abroad.

Most importantly they believed, after having tried out one of the ideas which seemed promising, that it was not worthwhile to compromise the potential higher margins by committing to solution ideas which may be able to solve the currency shortage, but would threaten the ability to maximise the overseas profits for a temporary issue. As the perceived uncertainty continued to increase as there were increasing signs that the regulations were going to be changed again, they believed based on their past experience that the conditions would improve - i.e. that this lack of foreign currency was a temporary issue. In this respect, the Board had been unwilling to implement these, considering them as a "*financial adventure*" - to incur a potential high financial risk which they deemed unnecessary based on

their belief that the current sales performance was satisfactory. As result, the senior managers attributed the underlying reason for their inability to establish the new venture according to their preferences to the external market conditions and postponed the hub project based on their belief that the situation was going to improve in the future.

Although the grafted manager had suspected that the firm was not going to be able to handle the challenges in Egypt based on their values and beliefs, the narrative shows that the knowledge was not transferred and the senior managers had to learn directly by experiencing challenges along the process to their preferred expansion approach in order to recognise that the firm's extant knowledge base was not capable of addressing these challenges. The senior managers learned along the process that they were neither able to transfer extant internationalisation knowledge nor willing to transform the grafted manager's ideas into capabilities that were able to address the market challenges e.g. lack of foreign currency, and therefore were not able to establish the new wholly-owned subsidiary. The SVP acknowledged after the experiential learning process that this lack of flexibility in the company's way of operating and underlying logic was one of the reasons the company had not been able to establish the new wholly-owned subsidiary.

In addition, the findings shows that although the company had not felt able to invest further for the time being, and thus did not expand in terms of further commitment, the alternative solution to rely on external distributors was eventually swiftly accepted by the senior managers as it resonated with their risk tolerance, as well as the past experience which illustrates how important the values and benefits on a managerial level are if we are to understand firms' assumptions and beliefs about how to expand and why potentially useful knowledge may or may not be transferred effectively within an MBE.

5 Discussion of Theoretical Themes

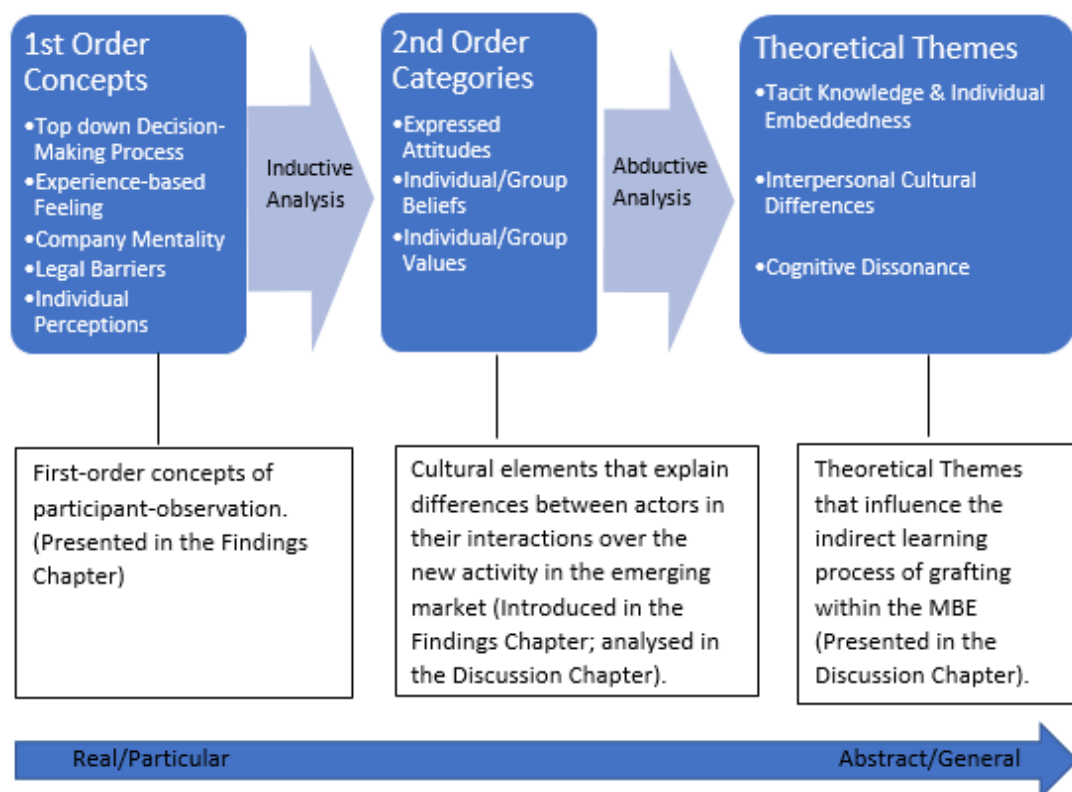
5.1 Introduction

The following section will discuss the presented findings that emerged from the sub-research questions in light of the existing theoretical insights into the learning processes that are said to drive the internationalisation process; this is to infuse the empirical findings with theoretical significance to advance the extant theoretical understanding and explanation (Golden-Biddle and Locke, 2007). The chapter will examine the data presented in the previous chapter to tell us about 1) What is difficult about transferring experiential internationalisation knowledge? 2) How do interpersonal cultural differences affect the transfer of experiential internationalisation knowledge? 3) How do interpersonal cultural differences impact the organisational absorption of experiential internationalisation knowledge? Having answered these questions enables us to address the overall research question about how and why grafting impacts the firm's ability to close the knowledge gap in an expedited manner. The theoretical themes that emerged abductively to explain the impact of grafting on the internationalisation process (as shown below in Figure 5) combine the revealed findings about the managers' ability to share their experiential knowledge on an interpersonal level with the extant theoretical understanding of how and why firms can (indirectly) acquire experiential knowledge as proposed by the liabilities of foreignness concept including the cultural and psychic distance, and knowledge-based view including the absorptive capacity concept within the Uppsala internationalisation process research stream.

The chapter is structured according to the three theoretical themes. The first section discusses the findings in light of the first sub-research question, namely: What is difficult about transferring experiential internationalisation knowledge? It discusses these findings about the transferability of experiential knowledge in the Uppsala internationalisation process model and the knowledge based-view of the firm. Herein, the liabilities of foreignness concept will be unpacked to reveal how and why experiential market-specific and general experience-based knowledge is tacit, knowledge that includes the implicit and hidden cultural values and assumptions in the host context of 'how to play the game'. The findings revealed that the values and cultural assumptions of the host context (representing

critical market-specific knowledge) were imprinted on the grafted individual manager over time. Accordingly, the experience-based knowledge of how to deal with the implicit assumptions and differences that was acquired in the host context was influenced by these values and cultural assumptions prevailing in the host context. This illustrates that the grafted experience-based knowledge of how to cope with implicit values and cultural assumptions is embedded and interlinked within the individual manager's cultural attributes, making it tacit and, therefore, hard to codify, explicate and transfer to other managers.

Figure 5: Data Analysis Structure (Author, 2017 drawing on Gioia et al., 2013)



Secondly, the thesis addresses the second sub-research question: How do interpersonal cultural differences affect the transfer of experiential internationalisation knowledge? The author traced how (causal connection) the revealed interpersonal cultural differences in terms of values, attitudes and beliefs affected the managerial perceptions of the internationalisation challenges and respective knowledge gap as well as how to address this gap, by drawing on the liabilities of foreignness concept, including psychic and cultural distance. In addition the complementary insights drawn from organisational learning help explain how and why the senior managers were overconfident in their ability to address the knowledge gap which led to misconceptions and superstitious learning that impeded pre-

entry learning i.e the ability to recognise and address the knowledge gap more effectively through the indirectly acquired experiential knowledge. Further combining these insights with the absorptive capacity concept enabled the author to show how and why these revealed cultural differences between the managers limited their ability to recognise the value of the grafted experiential knowledge as a pre-requisite to be able and willing to assimilate and absorb it into the firm's routines and structures.

Thirdly, the chapter asks why interpersonal cultural differences impact the organisational absorption of experiential internationalisation knowledge. The author has drawn on complementary insights in psychology into cognitive dissonance to postulate a plausible theoretical mechanism of how and why the underlying interpersonal cultural differences prevented the senior managers from recognising the potentially valuable experiential knowledge possessed by the grafted manager to assimilate and transform the grafted knowledge into new capabilities that are capable to address the new challenges in the host market.. This abductive theorising approach, thereby, enables the study to refine theoretical understanding of how and why experiential knowledge can be effectively transferred on an individual level and therefore indirectly acquired via grafting, in order to address the perceived and actual knowledge gap between home and host context in an expedited manner . Finally, the chapter is briefly summarised.

5.2 Tacit Knowledge and Individual Embeddedness

What is difficult about transferring experiential internationalisation knowledge? The findings illustrated that the grafted manager's implicit market-specific knowledge of the values and cultural assumptions prevailing in the host context was gained through past personal, tacit experiences. The VP MEA explained:

"This [access to knowledge] was the reasons for why I choose him [Grafted Middle Manager's] as the team leader for the Middle East and North Africa. I had to be weird to claim that I know how to navigate things better as a German- that is not possible. We need to believe in our employees and he [Grafted Manager's Name] knows us by heart, and he will need to learn too [...] but why should one of us try to understand the culture and the market, if he is from there and has this experience already? It would be stupid not to do it. [...] We have one in our team. We need to take advantage of the knowledge." [Translated from German] (HR I, 2016)

The VP MEA was aware that the grafted manager possessed extensive knowledge about the company and the host market, stating that this market-specific knowledge was more time

consuming and difficult to acquire for a foreigner, and that it thus would be stupid not to take advantage of the this acquired knowledge. This market-specific knowledge was not only gained via tacit experiences but was also tacit in nature. For instance the grafted manager possessed market-specific knowledge about values and cultural assumptions, but was not able to codify the tacit experiences and respective tacit knowledge into explicit objective knowledge which had made him reluctant to share his concerns, as was shown in the findings chapter:

“But from the beginning I did not feel good about the project that it will go through. Because I knew the problems in Egypt were too much for the company to handle [...] I thought the company is a risk-averse company, because it is a German company and I know this company for many years. And I thought no-one in this company will approve that we do this project [...] because of the risk [...] because I know [Company Name] is a risk-averse company.” (AH I, 2016)

As shown in the exemplar quote, the grafted manager possessed the tacit market-specific and experience-based cross-cultural knowledge that had enabled him to anticipate internationalisation challenges for the firm, but was not able to explicate and codify the tacit experiential knowledge into explicit or general objective knowledge beyond his general concern of them being too “*risk-averse*” to teach and transfer it to the senior managers. This tacit experience-based knowledge which had enabled the grafted manager to recognise the scope of knowledge gap was embedded in the individual, and the grafted manager was only able to express his beliefs and feelings in general but not able to transfer the underlying experiences and gained knowledge about these implicit values and cultural conditions on the one hand, and the grafted manager’s personal cross-cultural knowledge about the company’s ability to cope with these conditions, on the other hand.

The extant internationalisation process literature suggests that experiential (market-specific) knowledge, which is salient to successful internationalisation, can be primarily acquired by individuals through learning by doing in foreign markets over time due to the implicit nature of the required experiential market-specific knowledge (Barkema and Drogendijk, 2007; Petersen et al., 2008; Brennan and Garvey, 2009; Johanson and Vahlne, 2009). In line with current assumptions in internationalisation process research, the experiential market-specific knowledge about the host context and of ‘how to play the game’ - to address the knowledge gap - was acquired by the grafted manager via tacit experiences in foreign markets (Johanson and Vahlne, 1977; Eriksson et al., 1997; Petersen et al., 2003;

Johanson and Vahlne, 1990; Zaheer, 1995). The grafted manager had acquired implicit market-specific knowledge in terms of institutional knowledge and business knowledge about the hidden normative and cultural conditions in the host market (Eriksson et al., 1998; Johanson and Vahlne, 1977). He had both explicit market-specific knowledge about market structure, competitors, and technical standards of the market, and tacit experiential market-specific knowledge about 'how to play the game' i.e. to cope with hidden and implicit cultural market conditions (Petersen et al., 2008; Fletcher and Harris, 2011). This tacit knowledge about culture can only be learnt from experiences and is seen as a by-product of market entries (Barkema and Drogendijk, 2007). As outlined in liabilities of foreignness research, the implicit cultural differences prevailing in the host context were unknown to the senior managers and were difficult to uncover due to their implicit nature (Zaheer, 1995). Accordingly, the grafted tacit market-specific knowledge of 'how to play the game' - i.e. addressing the hidden values and cultural assumptions rather than learning about the explicit and regulative differences in the host context - was the most critical type of knowledge which needed to be absorbed in order to recognise and address the knowledge gap (Calhoun, 2002; Fletcher and Harris, 2012).

This implicit experiential market-specific knowledge, however, was imprinted and deeply embedded in the personal cultural attributes of the individual grafted manager. For instance, he possesses institutional knowledge about the cultural norms in Egypt, explaining that *"I hate this question [for a four year forecast]"* (Field Notes, 2016) to illustrate that the long term planning and forecasts are not effective, since the constant market changes mean that: *"my forecast from today will be wrong tomorrow"* (Field Notes, 2016) and thus one needs to be ready to cope with unanticipated challenges as they come up. These norms had also shaped his personal cultural attributes and situational norms he lived by e.g. to not plan further ahead than one year in personal matters, since the conditions are constantly changing (Field Notes, 2016). Due to this embeddedness, this experiential knowledge was tacit, which complicated the ability to codify it into objective explicit knowledge, to transfer it to other managers (Eriksson et al., 1997; Polanyi, 1966). Therefore, in concordance with assumptions in the internationalisation process research, experientially-gained market-specific knowledge that has been acquired through managers' tacit experiences is difficult to transfer, because the experiential knowledge and the individual that holds it are considered intertwined (Penrose, 1959, cited in Hutzschenreuter and Matt, 2017).

The grafted manager's tacit knowledge about Egyptian conditions also gave rise to personal cultural attributes and underlying values and beliefs that contrasted with those in the company's home country context. For instance, as shown in the findings chapters, he attributed a high value to being flexible: *"for anyone working in the market, he has to have this this flexibility otherwise he will lose long term"* and *"have the courage to really go there and work and maybe also have the flexibility"* (AH II, 2016) to be willing to take risks in order to address the volatile host market conditions, based on his personal work experiences in the host market. This value and respective beliefs acquired in the host context made him consider the firm and the senior managers as too *"risk-averse"* to cope with the volatile market conditions (AH I, 2016). Even though the personal values, attitudes and beliefs were not necessarily explicitly stated, the underlying cultural attributes of the individual managers influenced the experience-based knowledge that enabled the grafted manager to recognise the gap between the firm's current knowledge base and the knowledge required to operate successfully in the host context.

In line with Johanson and Vahlne (1977) and Petersen et al. (2008) this experiential knowledge acquired by the grafted manager was critical to understand information from inside the firm, i.e. the extant knowledge base, and from outside, i.e. from the market, to be able to recognise the knowledge gap, and thus the experiential market-specific knowledge alone was not suffice to recognise the firm's ability to address the new market conditions. Instead it required the managers to be able to possess cross-cultural internationalisation knowledge to recognise the gap between the internal knowledge base and the required knowledge base to address the market context. Accordingly, the lack of market specific knowledge among the senior managers meant that they had not been able to arrive at the correct interpretation to recognise the scope of the knowledge gap between the internal and external environment, and this lack of experiential (internationalisation) knowledge was difficult to substitute for advice and grafted personnel (Johanson and Vahlne, 1977:29, cited in Petersen et al., 2008:1100).

In accordance with Vahlne and Johanson (2017) the required learning therefore was not only about the external environment but also about the internal firm capabilities and the lack thereof to address the external conditions. For instance, during the interview the author asked the grafted manager what his personal impression of the project was, to which he

replied that he foresaw the decision to stop the project based on the potential risk involved based on his cross-cultural knowledge about the company and the market:

“Actually, what we are in today, I have foreseen one and half year ago. [...] the company decision to stop things [...] I thought the company is a risk averse company, because it is a German company and I know this company for many years. And I thought no one in this company will approve that we do this project [...] because of the risk [...] Because I know [Company Name] is a risk averse company”. Yet he said that: “But I could not say so to... at the beginning” due to their routine process of wanting to “try it first.” He added that: “Sometimes it is difficult to provide evidence – it is just things you learn by trial and error and it is difficult to provide the evidence for it, ja? [...] I mean from historical incidence you create some kind of gut feeling, it is created inside you if you see the same incident again in a different way with different people. Sometimes you cannot provide evidence for that, it is only gut feeling. You’ve seen it several times and it’s a gut feeling developed from there.” (AH III, 2018)

Despite being able to codify this experience-based knowledge to some extent in general terms, he was not able to convey his tacit, experience-based cross-cultural knowledge to the senior managers, in order for them to understand how the new and unfamiliar market context would challenge the firm’s ‘dominant logic’ and underlying beliefs about how to expand further into the host context (Fletcher et al., 2013; Eriksson et al., 2000). This lack of cross-cultural knowledge impeded the senior managers’ ability to interpret the external environment, according to grafted manager, and the lack of institutional knowledge was leading to an unintended ignorance of the hidden cultural factors (Orr and Scott, 2008).

The grafted manager knew about the lack of market-specific knowledge among the senior managers and that his implicit concerns, were thus not shared, and he was reluctant to share his experience-based concerns with them. He feared that his concerns would not be taken seriously and that he would have wasted his time in trying to explain his concerns to them at the beginning so that he might be seen as incompetent since he was not able to explicate his knowledge to provide objective evidence for his suspicions. This implicit belief that the firms competencies were not suffice was also against the senior managers’ own confidence and contrasting belief that they had acquired the required experience-based knowledge to be able to address the host market conditions. This made him even more reluctant to share his concerns, since he suspected that his suspicions without any evidence would provoke the resentment of his superior managers. Therefore, in line with extant research on intra-firm knowledge transfer both the ability and willingness of the source to transfer and absorb knowledge is important to consider, and this study illustrates how the inability to codify

personal tacit knowledge to provide objective evidence created an unwillingness to share the personal concerns that were based on tacit knowledge. The anticipated difficulties in transferring tacit knowledge due to its ambiguity, and the suspected reactions of the receivers affected the willingness of the sender to transfer the underlying tacit experience-based knowledge within one unit (Minbaeva et al., 2003; Szulanski, 1996; Song, 2014; Gupta and Govindarajan, 2000). Therefore, in line with previous research (Szulanski, 1996), the difficulties to transfer the tacit knowledge was not primarily due to a lack of motivation to codify the sticky knowledge, but due to the inherent challenges to codify the tacit knowledge not least due to the causal ambiguity of this tacit knowledge and respective anticipated challenges in being able to transfer it to the receiver which lacked the required values and beliefs to be able to understand his concerns, which created a unwillingness to share the implicit and subjective concerns.

Since tacit knowledge is sticky and difficult to communicate (Szulanski, 1996), in contrast to Huber (1991) and Forsgren (2002), the grafting did neither enable the senior managers to recognise nor to close the knowledge gap in an expedited manner. In contrast to extant research (Gupta and Govindarajan, 2000; Song, 2014), despite that the manager had been being physically moved to allow for more frequent interactions the tacit knowledge was not transferred to the senior managers. The senior managers were aware that they faced a knowledge gap, but remained unaware of the scope of their knowledge gap despite this tacit knowledge being indirectly acquired via grafting and thus theoretically available in the MBE. Similar when they encountered the widening knowledge gap they were unable to address it by absorbing the experienced-based knowledge in form of new ideas of how to address the challenge. The revealed insight that the experiential knowledge was embedded and interlinked to the individual's cultural attributes, however, sharpens our understanding of how and why the experiential market-specific knowledge and experience-based knowledge was not only difficult to explicate, but required similar cultural attributes to be able to interpret and understand this subjective knowledge, which was tacit and sticky in nature, in accordance with internationalisation process research, as we will elaborate in the second theme (Vahlne and Johanson, 2017).

This embeddedness of experientially-acquired knowledge within the individual and its tacit nature did not only complicate the ability to codify and transfer implicit market-specific knowledge among the managers, but prevented the ability to integrate the grafted market-

specific and experience-based internationalisation knowledge of the individual manager into the firm's extant (internationalisation) knowledge base (Zander and Kogut, 1995; Kogut and Zander, 1993; Martin and Salomon, 2003; Fletcher et al., 2013). As a result, neither the grafted tacit experiential market-specific knowledge nor general cross-cultural experience-based knowledge was integrated into the firm's market entry internationalisation knowledge, which prevented the managers and the firm from recognising the scope of their knowledge gap in advance, to be able to learn how to address it effectively when developing and implementing market entry and market penetration strategies (Fletcher et al., 2013).

The findings revealed that the grafted knowledge was interlinked with, and influenced by, the personal cultural attributes that were imprinted on the individual grafted manager in the host context (Petersen et al., 2008). For instance, the grafted manager stated:

"you need flexibility, high flexibility, to be able to change, not to be rigid on a certain way of doing business, but to be flexible, and flexibility will bring to you innovate and new ideas, especially with the ongoing challenges in that region." (AH II, 2016)

This belief was interlinked with the manager's personal values and beliefs, as he stated:

"one of the qualities I have in managing, as a manager is flexibility, high flexibility [...] it comes from my history, I used to eh, I used to, before this company I used to work for also with my father [...] and I learned that's sometimes you need fast decisions." (AH I, 2016)

He also expressed that in his eyes the lengthy decision-making processes of the superior managers was annoying and ineffective as they were holding onto their desired outcome in spite of the experienced challenges and their inability to expand according to their preferences:

"I'm also kind of a guy who is getting bored easily when I know things are not going to work. I don't like to go with a certain subject topic for five years, ja, keep pushing it and at the end I know it's not working. I like to maybe think of something else better, ja?" (AH II, 2016)

This general cross-cultural experience-based knowledge (e.g. understanding of cultural differences, decision-making styles) is considered a core component of general internationalisation (market entry) knowledge (Fletcher et al., 2013; Cavusgil, 1998). This knowledge is said to enable firms to close their knowledge gap in an expedited manner by drawing on established learning routines of "how to learn in foreign markets" (Blomstermo et al., 2004:358). As we have seen, this did not happen in this case, as the valuable general

experience-based knowledge was bounded by the values and cultural assumptions in the host context (Petersen et al., 2008). In line with Szulanski (1996) and Reed and DeFilippi (1990), tacitness of knowledge creates ambiguity, since it cannot be easily interpreted and understood. This meant that even when information - objective knowledge - is available, due to the inherent uncertainty in interpreting facts and causal relationships, there is a need to learn how to arrive at the “correct interpretation” (Weick, 1979). This, however, is not feasible without additional experiential knowledge, which the senior manager did not possess to the same extent as the grafted manager. As a result, the senior managers were unaware of the implications of the differences in values and cultural assumptions would be for the ability to expand abroad, and therefore found it hard to accept and understand the different, tacit values and beliefs that underlay the grafted manager’s perspective and suggested solutions (Schein, 1985, cited in Petersen et al., 2008:1100). This inability to perceive the grafted manager’s experience-based knowledge as valuable due to the different values and beliefs prevented them from integrating the grafted experiential knowledge into the firm-specific internationalisation (enterprise) knowledge to address the unforeseen challenges and knowledge gap in an expedited manner (Lane and Lubatkin, 1998; Zahra and George, 2002; Johanson and Vahlne, 2013; Fletcher et al., 2013).

As we have seen, experientially-gained implicit knowledge about markets and cultural values and assumptions is not easily codified and cannot be transferred between managers in a firm who do not share the same tacit experiences and underlying cultural attributes. This result stands in sharp contrast to extant internationalisation process research that draws on the knowledge-based view of the firm and organisational learning in general. These suggest that experiential knowledge can be codified and stored in routines and is therefore transferrable within the firm (Kogut and Zander, 1993; Hutzschenreuter and Matt, 2017; Levitt and March, 1988; Argote and Miron-Spektor, 2011). The knowledge-based view of the firm suggested that tacit experiential knowledge can be codified and transferred within the organisation, and that an effective means to transfer tacit individually acquired knowledge between organisational units is by moving the individuals that possess that knowledge (Szulanski, 1996; Song et al., 2003, cited in Song, 2014:76). Based on this premise, research claims that experiential knowledge can be indirectly acquired by grafting, and transferring the experiential knowledge from the individual to the firm level is feasible by codifying tacit experiential knowledge into objective explicit knowledge, to absorb it into firm-specific

internationalisation knowledge and routines to address the liability of foreignness in an expedited manner (Huber, 1991; Forsgren, 2002; Petersen et al., 2003; Fletcher et al., 2013 Blomerstom et al., 2004).

Recent knowledge-based view of the firm and organisational learning research has gone as far as to assert that the ability to transfer experiential knowledge between different units of a firm is the basis of MBE competitive advantage, even though the ability to transfer experiential tacit knowledge has been found to be subject to a number of factors (Argote and Miron-Spektor, 2011; Kogut and Zander, 1993; Hutzschenreuter and Matt, 2017; Michailova and Mustaffa, 2012; Song, 2014). Surprisingly this research stream has not sufficiently explored whether experiential knowledge can be transferred at the individual level over time, even though scholars are increasingly arguing for the need to assess individuals (Song, 2014; Michailova and Mustaffa, 2012). For instance, as Eden (2009:178) outlines since “organisations are made up of people” – organisational knowledge comes from individuals producing knowledge which is transferred to the organisational level, and they also act as agents for knowledge transfer (Eden, 2009:178; Argote and Ingram (2000:164); Song, 2014; Felin and Hesterly, 2007). Argote and Ingram (2000:164) also argued: “because people play the most critical role in the success of technology transfer, further research on the role of members [...] is needed.” Yet, even though these authors share the emphasis on individuals as a critical factor to understand the ability to transfer knowledge within firms, it is important to outline that this stream tends to analyse the impact of expatriates as knowledge transfer agents of existing firm-specific knowledge to transfer technological knowledge from the headquarters to the subsidiaries to exploit it abroad (Song, 2014), which is distinct to grafting new knowledge as a short cut to acquire new knowledge that was previously not available within the MBE such as experiential knowledge (Huber, 1991; Forsgren, 2002).

Tan and Mahoney (2003) argued that most expatriate employees are acquired through internal transfers rather than as new hires and are therefore likely to have accumulated firm-specific knowledge at parent companies. Expatriates are considered to enhance the absorptive capacity of subsidiaries to be able to absorb and exploit the tacit technological knowledge quicker. Prior studies (Delios and Björkman, 2000; Doz and Prahalad, 1986; Harzing, 2002 cited in Song, 2014:76) showed that larger firms with strong marketing or technological capabilities are more likely to use expatriates to transfer tacit knowledge to overseas subsidiaries compared to firms without such capabilities. The underlying reasons

was that expatriates share the language, work experiences, and organisational culture with managers at the headquarters, so that they tend to maintain informal communication networks with headquarters managers and thus may enhance the effectiveness of knowledge transfer between the headquarters and its overseas subsidiaries.

Whilst extant research has suggested that transferring a manager from the headquarters to the subsidiary would enhance the effectiveness of the knowledge transfer process, this study shows the other side of the coin that even physically moving the individual with the sticky experiential knowledge within the firm did not result in an effective knowledge transfer. Even though this knowledge was codifiable to an extent, and the managers have been working in the same firm for a number of years, this new knowledge in subsidiaries may be contractionary to the extant knowledge pool at the headquarters (Forsgren, 2000). As we will see later in section 5.3, the lack of shared work experiences and different cultural assumptions on a managerial level impeded the firm's ability to absorb the potentially useful grafted knowledge as it contrasted the key decision-making managers own experiences and beliefs of how to expand abroad. Since this new potentially valuable knowledge is potentially contradictory, it is difficult to transfer without appropriate incentives especially since sharing it may pose potential repercussions for the new managers as was the case in this study, which has not been sufficiently considered in internationalisation process research (Petersen et al., 2003). This may be interesting since extant research has argued that expatriate employees will be more effective and cooperative in facilitating knowledge transfer within an MNC compared to locally hired managers, because they are seen to be more concerned with the performance of the entire organisation (Miao et al., 2011; Song et al., 2013 cited in Song, 2014:76; Gupta and Govindarajan, 2000).

In addition, grafting tends to refer to hiring someone or acquiring an organisation with new knowledge from outside the firm boundary. This was not the case in this study since the manager has been transferred from the subsidiary to the headquarters. Yet it technically can be seen as grafting, since the firm's decision-making process was very hierarchical so that the firm primarily relied on knowledge available within the headquarters to make decisions. The experiential knowledge was sticky and thus not codifiable to be transferred from the subsidiary to the headquarters so that this new experiential knowledge was grafted from outside the decision-making boundary into the firm's strategic decision-making processes at the headquarters (Huber, 1991).

Knowledge-based research has affirmed that tacit knowledge is embedded in values, actions, practices and behaviours and therefore is not readily accessible, available and transferable (Michailova and Mustaffa, 2012). Due to their quantitative methods, however, these studies tend to primarily examine the ability and willingness of actors to transfer tacit knowledge based on firm level constructs and outcomes, e.g. tacitness (Milchailova and Mustaffa, 2012). Kogut and Zander's (1993) empirical research measures the tacitness of technological knowledge; they suggest that greater complexity, lower codifiability and lower teachability are all predictors of greater efficiency of transfer by wholly-owned subsidiaries than by joint ventures, or of licensing to transfer technology knowledge, independently of the characteristics of the sender and receiver, e.g. absorptive capacity (Tallman, 2003).

Similar, more recent studies, such as Hansen et al. (2005) and Levin and Cross (2004) rely on Hansen's (1999) measures. In these, knowledge codifiability is measured by the extent to which the knowledge is fully codified, documented and therefore available in writing, and whether knowledge is primarily situated in individuals. Minbaeva (2007) measures the degree of tacitness, to gauge how the ability to transfer knowledge is affected by its degree of complexity, specificity and availability. Schulz (2001; 2003) measures codifiability in terms of the way knowledge is stored in the subsidiary, implying ease of retrieving knowledge by other actors in the subsidiary (cited in Michailova and Mustaffa, 2012:386). Whilst codifiability of knowledge, in terms of the ability to translate it into documents, may be one indicator of knowledge tacitness, as was also the case in the evidence examined here, these studies neglect the individual-level differences based on the assumption that such differences are aggregated at the firm level (Felin and Hesterly, 2007). This view concludes that the ability to codify and transfer experiential knowledge, which resides in the individuals, across cultures and borders within the firm, is essential to the MBEs' success (Michailova and Mustaffa, 2012; Kogut and Zander, 1993).

In addition, taking into account the dominance of quantitative research methods in international business to generalise theoretical findings across different contexts, the nuanced difference between, on one hand, tacit, experiential, market-specific and experience-based (cross-cultural) knowledge, embedded in individuals and including tacit cultural assumptions and knowledge, and, on the other, a firm's experiential (technological) knowledge that is tacit but can also be stored in the firm's routines and structures (Nelson and Winter, 1982; Eriksson et al., 1998), is neglected in extant international business

research, based on the assumption that there are universal laws about the ability to transfer experiential knowledge in the broadest sense within the MBE (Song, 2014).

Whilst It is conceded that knowledge - including tacit knowledge - can be embedded not only in individuals, but also in teams and company organisations as a whole (Levitt and March, 1988, cited in Petersen et al., 2003), it is acknowledged in the internationalisation process model (e.g. Eriksson et al., 1998; Vahlne and Johanson, 2017) that abductive investigation reveals that tacit experiential knowledge that pertains to cultural assumptions and implicit differences may be much harder to codify and explicate to be stored in the firms routines due to the very tacit nature of such knowledge. In contrast to quantitative approaches of measuring knowledge flows between units of an organisation, this study revealed that the experiential (market-specific and general experience-based) knowledge has been embedded and interlinked with the individual's cultural attributes, and therefore, the individual may not enable transfer the tacit experiential knowledge in a more effective and less time-consuming manner within the firm.

The findings also revealed that the grafted manager's inability to codify his tacit experience-based knowledge, made him reluctant to share his subjective concerns. The underlying reasons for this was that he was not able to explicate his knowledge or to provide explicit objective evidence for his concerns so that the managers would be able to understand and thus be willing to accept his concerns that the company's competencies would not be sufficing to address the host market context. He suspected that he would waste his time if we would try to convince them, being seen as incompetent if he had tried to do so, and potentially receive the resentment of his superiors, since they were unaware of the hidden challenges, and were confident in their ability to address the challenges ahead based on their belief that they had acquire the required know-how. These psychological reasons provide a complementary perspective of why the grafted manager was not only unable to explicate the knowledge, but that these anticipated difficulties made him unwilling to share his concerns at the beginning of the process. Therefore, in with extant research the ability and motivation are both important to consider (Szulanski, 1996, Gupta and Govindarajan, 2000; Jensen and Szulanski, 2004), and this study demonstrates that the inability to codify and explicate tacit knowledge sufficiently for the seniors to understand his concerns affected his motivation to share the concerns which could have incentivised the transfer of his tacit experience-based knowledge to some extent.

Grafting may not, therefore, serve more effectively as an indirect means to acquire experiential knowledge than direct experiential learning to overcome the knowledge gap in an expedited manner, as had been suggested by Huber (1991) and Forsgren (2002). This study asserts that the experiential market-specific knowledge may be acquired by grafting an individual manager, but refines our understanding of the liability of foreignness concept on an managerial level, locating it in the untranslatability of tacit knowledge - in this particular case, regarding the underlying reasons for why the newly acquired implicit cultural knowledge challenged the 'dominant logic' and beliefs held by the senior managers about how to expand abroad that were embedded within the firm's learning routines at the headquarters (Eriksson et al., 2000). In other words, the senior managers the cultural conditions and knowledge was hidden to them and they were, thus, not able to understand how these would challenge their extant beliefs and assumptions of how to expand abroad, and as a result they found the new implicit cultural knowledge offered by the grafted manager hard to accept (Petersen et al., 2008).

In contrast to research drawing on the knowledge-based view of the firm to suggest that general experience-based knowledge gained through experience in the market can be transferred (e.g. Hutzschenreuter and Matt, 2017:1139), this study shows that whilst it was codifiable into general knowledge to some extent, it was nonetheless not transferred effectively, since it could not be easily interpreted and understood by the recipient, due to those differing underlying cultural assumptions and attitudes. The experience-based knowledge, hence, was not codifiable, and the tacit nature of the values and cultural assumptions underlying that knowledge provides an explanation of how and why it is not easily understood and interpreted by corporate managers lacking the relevant experiences and underlying cultural understanding.

Capturing the cultural perspectives of individuals in the natural research setting enabled the author to trace how their cultural differences affected their ability to transfer and absorb the experiential knowledge that is critical for the internationalisation process (Johanson and Vahlne, 1977; Johanson and Vahlne, 2009). This study shows how culture affects the actors' behaviours and perceptions, rather than measuring cultural differences in pre-defined deductive theoretical categories (Caprar et al., 2015). This is in contrast to Petersen et al. (2003), who draw on Nelson and Winter (1982) to suggest that tacit experiential knowledge may be codified and transferred between managers. In our case, ultimately the critical

knowledge to address the liabilities of foreignness was not transferrable between the managers as suggested by Johanson and Vahlne (1977) and Fletcher et al (2013). Because this knowledge was not absorbed into the firm-specific internationalisation knowledge of the firm, the managers were prevented from recognising and reducing the knowledge gap expeditiously by taking advantage of the grafted knowledge before commencing the expansion process as well as during the process.

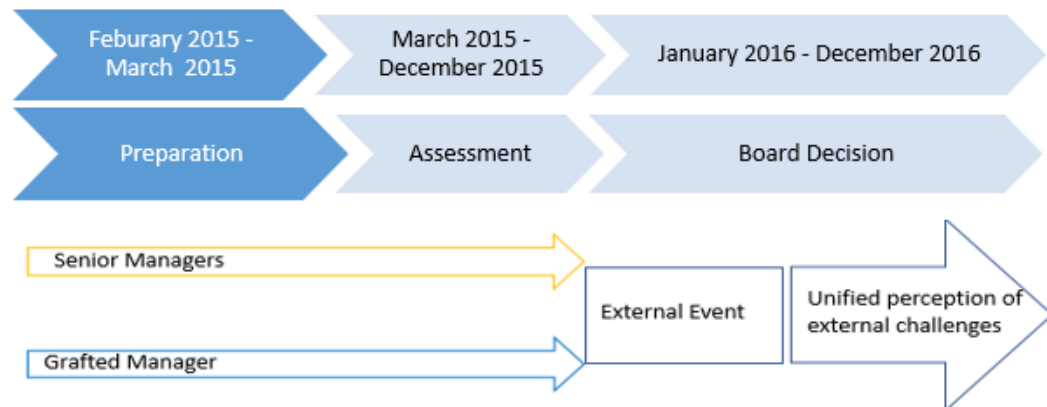
In sum, this study counters extant research suggesting that the way to make tacit knowledge flow is to move individuals within the organisation. This study provides an example of a situation in which experiential market-specific knowledge and tacit cross-cultural knowledge acquired and possessed by individuals cannot be taught and transferred, even by moving the individual manager within the organisation (Huber, 1991; Szulanski, 1996; Song et al., 2003, cited in Song, 2011:76). Whilst moving the individual within the firm may sometimes allow tacit technological knowledge to be transferred more effectively within the firm (Song, 2014), tacit knowledge that is culturally embedded might not be transferable even by such grafting. Whilst the theoretical insights of organisational learning and knowledge-based views of the firm on the transferability of experiential knowledge between organisational units are certainly helpful in certain contexts- primarily with regard to technological know-how (e.g. Simonin, 1999; Kogut and Zander, 1993; Minbaeva, 2007) - they have their limitations and may not be as applicable and generalisable as currently suggested in the international business literature.

5.3 Interpersonal Cultural Differences

How do interpersonal cultural differences affect the transfer of experiential internationalisation knowledge? Given our finding that cultural differences can affect the transfer of experiential internationalisation, we now examine in greater detail (what) underlying cultural differences lead to cognitive differences and how these differences are at work when this transfer is hindered. The thesis has taken a qualitative process research approach, in contrast to prevailing quantitative research methodologies in international business that tend to analyse the impact of cultural differences in terms of cultural distance at the national or firm level (Caprar et al., 2015; Haas and Cummings, 2015). The research employed qualitative process data analysis methods such as visual mapping (shown below) and value coding (shown in Appendix 9.6) (Langley, 1999; Saldana, 2016:132) to explore how

the cultural differences manifest in the revealed cultural perspectives of the individuals in the natural research setting. These enabled the author to capture the actual influence of the culture on the perception and behaviour of the individual actors over time (Caprar et al., 2015).

Figure 6. Visual Mapping: Evolution of Individual Perceptions of Internationalisation Challenges (Author, 2017 drawing on Langley, 1999)



Grafted Manager's Perception	Senior Managers' Perception	Unified Perception of Challenge
<ul style="list-style-type: none"> - Inflexible/intolerant Compliance Guidelines (e.g. Controlling) - Rigid and Risk-Averse Decision-Making Attitudes - Slow Decision-Making Processes 	<ul style="list-style-type: none"> - Incomprehensible Regulations - Regulatory Uncertainty - Volatile Foreign Currency - High Risk 	<ul style="list-style-type: none"> - Unprecedented volatile Exchange Rate and lack of Foreign Currency

This methodological approach allows the study to illustrate how and why cultural differences on an individual level affected those individuals' ability to transfer experiential market-specific knowledge between managers with different cultural backgrounds and perceptions (Sharpe, 2004). Specifically, the underlying cultural differences in values, attitudes and beliefs created significantly different perceptions of the institutional system and internationalisation challenges of how to cope with these along the expansion process (Orr and Scott, 2008). These different perceptions of the internationalisation and sense-making challenges and related knowledge gap impacted the ability to recognise the value of potentially useful knowledge in the internationalisation process. This, in turn, enabled the author to theorise the impact on firm-level learning and its internationalisation process (Sharpe, 2004).

As shown in Figure 6 in the findings chapter and depicted above, at the beginning of the expansion process there were differences among managers regarding the perceived ex-ante and actual challenges, the perceived reasons for the difficulties experienced in the internationalisation process, and personal beliefs about how to act appropriately to cope with the perceived challenges. Most importantly, the findings revealed that there was a strong discrepancy between the grafted manager's perceptions of the internationalisation challenges and those of the senior managers. The grafted manager perceived the senior managers' decision-making routines and structures that determined the way the internationalisation process was carried out as incompatible with the market conditions of the host context. As we have seen, he perceived the internal, lengthy decision-making process and lack of flexibility and unwillingness to commit more to the market due to the associated risks as the ex-ante and actual challenges hindering the firm's ability to cope with the volatile host market, while the senior managers were (over)confident in their ability to cope with this market based on their past experiences and the developed experienced-based knowledge embedded in the firm's routines and 'dominant logic' (Eriksson et al., 2000). They also believed that the grafted knowledge added to these would enable them to learn how to address the market conditions and thus the "*time was now*" to learn how to cope with the foreign currency volatility and frequent shortages or risk surrendering the market share to the leading competitors (HR I, 2016).

Having drawn on the psychic distance concept, this study suggests that managers' perceived distance has a critical impact on their willingness to invest in the foreign host market, and the study reveals that the grafting of the individual manager seems to have reduced the perceived psychic distance of the senior managers located at headquarters (Nummela et al., 2016, Welch et al., 2016:790). In line with March (1999) and Petersen et al. (2008), the senior managers had developed routines based on experiential learning in other foreign markets and believed that these can be transferred to address the challenges in the new host context. They had been satisfied with the current sales performance in the market, which reduces the search efforts to recognise the hidden and cultural differences, resulting in superstitious learning so that they perceived the host market as similar to the recently established operation in South Africa (O'Grady and Lane, 1996; Petersen et al., 2008). This perception lead them to erroneously believe that were able to draw on the company's acquired internationalisation knowledge and routines to address the challenges in the host market

and together with the grafted manager would allow them to fill in the knowledge gap. This resulted in an overconfidence in their ability to address the host market conditions, which created the impression that the relevant knowledge had been successfully acquired and led them to feel confident so that the internationalisation process was somehow overdue:

“I have an office for thirty years, we are having the know-how, we have the [Grafted Manager Name] as know-how. We know the region, if not now what should we wait for?!“ [Translated from German] (HR I, 2016)

This overconfidence created an ignorance of the potential future stumbling blocks at the outset, as suggested by March (1999). In line with work in organisational learning, e.g. Zollo (2004), the confidence stemming from experiential learning of the past and accumulated experience-based knowledge which enabled them to develop routines capable to address various different market conditions from Thailand to South Africa, developed faster than the actual competence. This created an (over) confidence in the transferability of extant routines to the new market context (Winter and Szulanski, 2001). For instance, the senior managers believed previously that they could find a solution based on *“experiences from other countries”* and that, having the grafted manager into the team, there was no need to contemplate alternative options, saying that no one had *“thought thus far yet”*, based on the assumption that they could address any challenges once the *“shit hits the fan”* (HR I, 2016). In particular the VP MEA’s experience in transferring experience-based knowledge to successfully established a similar operation in different, but (for the company) similar, countries such as South Africa seems to have been fertile ground for this overconfidence and superstitious leaning (O’Grady and Lane, 1996; Petersen et al., 2008; March, 1999; Levitt and March, 1998; March and Levinthal, 1993; Zollo and Gottschlag, 2004 cited in Petersen et al., 2008:1102; Barkema and Drogendijk, 2007).

The VP MEA stated that *“there are solutions, maybe to hedge it via gold or something – I don’t know. But the real question is am I risking €100 000, €500 000 or €5 million. That is the real question”* [Translated from German] (HR I, 2016), illuminating that for them the lack of foreign currency was not a severe issue, but instead they perceived the financial risk they were going to incur as more important. The perception of past success and knowledge accumulation seems to have developed faster than the actual knowledge and capabilities to address the new context, which resulted in superstitious learning (Zollo, 2004, cited in Petersen et al., 2008:1102) and ‘learning myopia’ (Levinthal and March, 1993; March and

Simon, 1958, Nelson and Winter, 1982). In addition, the perception of the past success of having established a warehouse in South Africa with great success, and the on-going “*great business*” in Egypt seems to have encouraged the overconfidence and created a complacency with the status quo and this has seemingly reduced the search efforts resulting in superstitious learning failing to recognise the extent of their knowledge gap in advance, as suggested by March and Simon, (1958) and Nelson and Winter (1982). As a result, the senior managers underestimated the knowledge gap and did not begin to realise their mistake until they were unexpectedly unable to address the problems arising during the entry process which resulted in them experience a widening of the knowledge gap (Petersen et al., 2008:1102).

When difficulties did appear, the senior managers erroneously identified the reasons why the project was falling short of their aspired performance (i.e. deadlines for the new entity to be operational), avoiding the conclusion that the firm lacked the capabilities to address a challenge which their values and ex-ante beliefs, based on previous internationalisation experience, did not prepare them for (Eriksson et al., 2000). As a result they did not question their own approach before or during the crisis or identify it as the main difficulty, believing that the situation would prove temporary, so that:

“as soon as the emergency availability of the foreign exchange eased again, business was going great again” [translated from German] (HR I, 2016). “We had originally said let’s establish the new company in Egypt, even if we can only use it to a very limited extent to be ready once there are better conditions and once more dollars are readily available to convert the EGPs.” [Translated from German] (AP I, 2016)

Zollo (2004; Callegaro, 2008) suggested that managers may make erroneous (positively biased) analyses of their own capabilities and performance outcomes based on the social desirability of their own and the firm’s competence and performance, and this study suggests that in such a case the managers may not be aware of their errors, but actually believe them because they make sense in the light of their past experiences (Winter and Szulanski, 2001; Levitt and March, 1988). As we saw in the findings chapter, the senior managers were confident in their ability to manage the challenges ahead, despite not knowing what these would be. Once they had identified and started to experience the problems, they suffered from superstitious or myopic learning, believing that practices from other foreign operations could be applied to the problem in the Egyptian context (O’Grady and Lane, 1996; Petersen et al., 2008; March, 1999; Levitt and March, 1998; March and

Levinthal, 1993). Accordingly, the senior managers were unaware of the actual cultural distance and knowledge gap, and in their eyes the host market government did not *“understand, is that Western partners need relatively strong safety in order to make investments even for the establishment of such an entity” mirroring their belief that the government*” (AP I, 2016) had to resolve this issue to secure foreign direct investments for the host economy (Ansoff, 1965, cited in Vahlne and Johanson, 2017:1091).

Cyert’s and March (1963) argued that falling short of the aspired performance leads to learning how to overcome the encountered problem in novel ways, which leads to a recognition of the knowledge gap. This study shows - in line with work in organisational learning, as shown by (Petersen et al., 2008) - that this is not sufficient, that managers need also to perceive a psychic distance and wider knowledge gap to be motivated to search for novel solutions. In our case, this search was limited based on the extant knowledge base as suggested by Zahra and George (2002) learning in new domains was more difficult and the managers were reluctant to do so based on the wrong inferences being made by the senior managers believing that practices from other foreign operations can be transferred to address the problem in host context. The grafted manager, on the other hand, while understanding from the beginning that the firm’s ‘dominant logic’ would be an issue in successfully addressing the market conditions and possessing the know-how regarding several possible ways of doing so, had experienced what he felt to be the rigidity and caution of the managers and the firm and thus felt that within their existing mind-set and routines they were not able to develop novel solutions rapidly enough to be able to cope with sudden challenges effectively.

The visual mapping (shown above in Figure 6) revealed that the underlying interpersonal cultural differences not only created different perceptions of the knowledge gaps on the managerial level, but also created different perceptions of their ability to address them and the logics for actions to tackle them. As shown in the findings chapter, the senior managers believed it is appropriate to wait for the external market conditions to stabilise before acting, and assumed that this would happen: their experientially-acquired logic gained in the home context told them that economic situations improve over time (Field Notes, 2016). The grafted manager, however, understood from his experience of the host market that the conditions might not improve and that there was a need to act and mitigate the conditions through *“entrepreneurial skills”* and agile decision-making processes (AH II, 2016). These

different interpretations and perceptions of the knowledge gap and how to cope with these different market and cultural conditions had prevented the senior managers to recognise the value of potential valuable solution ideas of how to address the knowledge gap based on the grafted manager's underlying tacit experiential knowledge and respective acquired cultural attributes. Thus, the recognition of the value of new knowledge was affected by the distance between the current and required knowledge stocks and the absorptive capacity of the firm (Cohen and Levinthal, 1990; Zahra and George, 2002; Petersen et al., 2008).

This visual mapping technique moved from the initial high accuracy of the grounded value coding to more general process insights by combining the different evidence sources in the sequence of the events to search for clues that could explain the sequence in the process (Langley, 1999). In contrast to the static approaches in international business literature, by adopting visual mapping this study highlighted how interpersonal cultural differences and different experiences created different perceptions and interpretations of what needed to be learnt (i.e., the perceived knowledge gap to address the liabilities of foreignness and how to act appropriately). Thus, we can visualise how managerial perceptions of the challenges and logic for action were guided by both the past experiences and cultural cognitive elements within the key individuals and how these ex-ante perceptions evolved based on the direct learning process as shown in Figure 7 in Chapter 6.

According to the internationalisation process model, the manager has to learn about hidden and implicit cultural differences through a 'learning by doing' process in the market to be able to uncover implicit cultural values and assumptions that shape how the game is played (Johanson and Vahlne, 1977; 2009). The internalisation of the implicit value and cultural conditions of how the game is played is, therefore, critical to enable managers to recognise business opportunities and to reduce their perceived knowledge gap (Petersen et al., 2008). This direct experiential learning process has been argued to be time-consuming, based on the behavioural assumptions of the internationalisation process model. Based on Cyert and March's behavioural theory of the firm (1963), the knowledge gap will be recognised when problems and performance are anticipated or actual difficulties arise that fell short of the aspired performance, exposing gaps between the firm's extant knowledge base and the knowledge required to be able to operate successfully in the host context (March, 1999; Fletcher and Harris, 2015:2; Petersen et al., 2008). These were so large so that the senior managers were not able to interpret the external environment and events and own

capabilities appropriately and recognise their knowledge gap in advance (Cohen and Levinthal, 1990; Petersen et al., 2008). Specifically, the findings illustrate that the direct experiences in terms of problems happened so fast that the senior managers were not able to interpret external events and information taking place in the host market according to the values and cultural norms of the host context to recognise and understand their knowledge gap so that it did not result in meaningful learning (Eisenhardt and Martin, 2000; Petersen et al., 2008; Dierickx and Cool, 1989).

As we have seen, the discrepancies between the grafted and the senior managers, in turn, affected the ability of the latter to recognise potentially useful experiential knowledge possessed by the grafted manager about how to address the hidden cultural differences. According to extant research the ability to recognise the value of the potential useful knowledge is a pre-requisite to be able to absorb knowledge effectively (Zahra and George, 2002; Cohen and Levinthal, 1990; Lane and Lubatkin, 1998). In accordance with Brown and Dugid, (1991) (cited in Vahlne and Johanson, 2017:1094) the tacit experiences needed to be interpreted and understood by the all the managers to develop organisational experiential knowledge. Thus, in order to truly understand how knowledge can be transferred one needs to examine both the sender and the receiver (Minbaeva et al., 2003; Michailova and Mustaffa, 2012; Song, 2014). Research has suggested that the cultural distance between these units (sender and receiver) can affect the ability to transfer experiential knowledge (Michailova and Mustaffa, 2012; Minbaeva et al., 2014). Combining cultural and psychic distance with insights from the absorptive capacity concept on an individual level enables inference to be made to explain how and why cultural differences on the individual level, in terms of values, attitudes and beliefs, affected the firm's ability to search for new knowledge and to recognise the value of potentially useful new experiential knowledge at its headquarters.

The underlying cultural values of the new experience-based knowledge would have had to be similar to the extant knowledge base possessed by the senior managers in order for them to be able to understand and recognise it as potentially useful and to therefore be able and willing to absorb it (Zahra and George, 2002; Barkema and Dorgendijk, 2007; Lane and Lubatkin, 1998; Cohen and Levinthal, 1990). Whilst Lane and Lubatkin (1998) and Cohen and Levinthal (1990) showed that the firm's ability to recognise, assimilate and exploit external acquired knowledge depends on the similarity between the extent of similarity of the

knowledge base between the exchange parties, this study shows how the significant differences in the underlying cultural attributes and the differences in the extant knowledge bases between the senior managers and the grafted manager impeded their ability to recognise the newly-acquired experience-based knowledge as valuable, and therefore restrained the firm's absorptive capacity (Barkema and Drogendijk, 2007; Johanson and Vahlne, 1990, 2009; Gupta and Govindarajan, 1994; Eriksson et al., 2000; Zahra and George, 2002; Petersen et al., 2008). The new knowledge in terms of ideas were unproven and ambiguous to the senior managers, since they had lacked the required market-specific knowledge and similar cultural attributes to be able to understand the particular features of the new context in which this knowledge is put to use to understand why it would be useful, and they lacked the required similar pre-existing knowledge gap and capabilities to be able and willing to transform these ideas into new capabilities (i.e. absorptive capacity) (Szukanksi, 1996). The seniors were, however, intrinsically unwilling to accept these for them ambiguous and unproven ideas due to the underlying clash with their own values and beliefs i.e. willingness to incur risk, which made this endeavour even more difficult, as will be elaborated in the third theme.

This causal connection linking the individual level cultural differences to the ability to absorb the potentially useful new experience-based knowledge is at least as important as the underlying similarities in the knowledge base, in explaining why firms may not be able to recognise the value of new indirectly-acquired experiential knowledge. As Barkema and Drogendijk (2007) note, learning from distant cultures has its limits, and therefore the assimilation and transformation of such new experience-based knowledge into the firm's capabilities, routines and structures to exploit it may be impeded by the interpersonal cultural differences within the firm (Zahra and George, 2002; Eriksson et al., 1997; Eriksson et al., 2000; Vahlne and Johanson, 2017). Thus, we see that in at least some cases, grafting does not work, and direct experiential learning by the senior managers and the 'internalisation' of the knowledge thus acquired is necessary to learn how to interpret events and information to overcome their liabilities of foreignness and unintended ignorance to be able to understand how to 'play the game' (Orr and Scott, 2008; Johanson and Vahlne, 1977; Petersen et al., 2008). The acquisition of experiential knowledge through repeated internationalisation practice was not substitutable by the hiring of the grafted manager to obtain his implicit market-specific and experience-based cross-cultural knowledge of how to

cope with the conditions in this particular host market, characterised by institutional arrangements so different from those of the home country. In particular, acquiring new knowledge may even involve unlearning existing routines and beliefs in order to be able to develop new knowledge and routines and belief structures more suitable to culturally different and more volatile market contexts (Cohen and Levinthal, 1990; Barkema and Drogendijk, 2007; Nonaka, 1994 cited in Autio et al., 2000:911).

As outlined by the editors of the 'Journal of International Business Studies', there is need to employ qualitative research methods in order to develop theoretical understanding of how and why culture matters for international businesses and to move beyond the shallow insights that are currently being produced, based on the use of cross-sectional studies and reductionist methods into how culture affects the cost of doing business (Birkinshaw et al., 2011). Specifically, this study improves our understanding of the current aggregate concepts of the liability of foreignness, including cultural and psychic distance, to explain how cultural factors on an individual level affects the perception and behaviour of the individuals as the ultimate decision-makers within the firm as suggested by Johanson and Vahlne, (2009). Previous research has shown that the liability of foreignness captures the contextual multi-cultural and multi-layered learning process in MBEs in international business of how different cultural cognitive elements interact in the multi-cultural learning process (Maitland and Sammartino, 2015). The combined theoretical insights allow the study to move beyond the currently-employed aggregate concepts of national or firm level studies and to link how cultural differences on the individual level may affect firms' ability to recognise the value of potentially useful knowledge; this enables refinement of the explanation of how cultural differences impact the ability to transfer experiential knowledge within firms. Therefore the knowledge gap between the home and host market cannot simply be addressed by hiring a manager with the relevant experience and experiential knowledge from the particular context.

In conclusion, the discussion revealed how the individual-level cultural cognitive elements in addition to the stocks of knowledge affected the ability to recognise new potentially useful knowledge as valuable to be willing and able to absorb it within the existing knowledge base to be able to successfully expand into culturally distant context. This illustrates how interpersonal cultural differences impact and in this case impede the ability to transfer experiential internationalisation knowledge between managers with culturally distant

backgrounds. Exploring how the individual-level cultural cognitive elements and the managerial discretion impact the decision-making process may provide a more behavioural and realistic understanding of how and why firms make certain internationalisation decisions over others. This contributes to understanding of why some firms may choose to internationalise faster than others (De Clercq et al., 2012). In particular it helps understanding of how and why cultural cognitive models of individual managers, developed in the home context, might not adapt rapidly to new environments when trying to interpret new information and knowledge, including that provided by grafting (Lane and Lubatkin, 1998; Maitland and Sammartino, 2015). Thereby this insight sharpens theoretical understanding how these differences affect the ability to indirectly acquire experiential knowledge to address the knowledge gap (Haas and Cummings, 2015).

5.4 Cognitive Dissonance

How do interpersonal cultural differences impact the organisational absorption of experiential internationalisation knowledge? The former two theoretical themes illustrated 1) how experiential knowledge is linked with the personal cultural attributes of individual managers; 2) how interpersonal cultural differences between individual managers affect the perceived knowledge gap and, by the same token, the ability to recognise the potential value of new experiential knowledge. The third theoretical theme, cognitive dissonance, emerged as a novel theoretical mechanism which addresses the third sub-research question, how do interpersonal cultural differences impact the organisational absorption of experiential internationalisation knowledge. This study draws on psychological insights into cognitive dissonance to explain how and why the revealed interpersonal cultural differences limited individuals' capacity to absorb grafted experiential knowledge acquired in a culturally-distant context. Thereby this study explains how and why the interpersonal cultural differences not only limited the ability to recognise the value of the new grafted experiential knowledge, but sustained ignorance of the new experiential knowledge itself, based on the underlying cultural differences. This ignorance impeded the firm's ability to indirectly learn from the grafted manager by absorbing his experience-based know-how into the firm-specific internationalisation knowledge to address the encountered knowledge gap in an expedited manner.

In order to postulate a theoretical mechanism that can explain how interpersonal cultural differences limit the capacity to absorb experiential knowledge within the same organisation, the study has turned away from the dominant sociological literature in international business studies to psychology literature (Caprar et al., 2015). The psychological literature facilitated to capture of how culture affects the perception, motivations and actual behaviour of individuals (Caprar et al., 2015; Michailova and Mustaffa, 2012). The most plausible theoretical explanation addressing the third sub-research question in terms of a 'generative mechanism' of how experiential knowledge was not absorbed in the minds of the senior managers as a prerequisite for the absorption in the extant knowledge base on an organisational level can be articulated by drawing on the well-accepted insight of Festinger (1962). The concept of cognitive dissonance helps explain how and why the interpersonal cultural differences limited managers' ability to absorb experiential knowledge within the same unit (i.e here within the firm's headquarters) of the firm over time (Festinger, 1962). The concept has been drawn on in organisational learning to explain individual sense-making processes (e.g. Weick, 1995) and in international business literature (Weick, 1979, Vahlne and Johanson, 2013), most recently by Vahlne and Johanson (2017:1091), to explain that there is a need to learn how to interpret information in light of the uncertainty and respective ambiguity as well as complexity of information and knowledge in the social world.

Cognitive dissonance can be defined as a psychological distress experienced if a person holds two or more contradictory values and beliefs simultaneously (Festinger, 1962). The cognitive dissonance is result of a person either being confronted with new information that contradicts their personal values and beliefs or if personal behaviour contradicts these underlying personal values and beliefs. The concept suggests that people strive for inner consistency between their internal values and beliefs and will be motivated either to avoid contradictory information or to change the values and belief system underlying the perception to justify new actions (Festinger, 1962). The magnitude of the psychological distress is partly determined by the importance of the value for the particular individual, meaning the greater the value, the greater the experienced cognitive dissonance. In other words, if the value attached to the particular belief is high then the greater the degree of ignorance exerted to avoid having to face the contradiction; lesser value require lesser struggle, and people are therefore more willing to change these.

The concept of cognitive dissonance allows the study to explain why individual managers' perceptions remained discrepant, despite the direct and potential indirect learning opportunities they faced throughout the expansion process. The senior managers had believed ex-ante that the extant internationalisation knowledge of the firm was appropriate *"to address the challenges in the markets"* [Translated from German] (MG I, 2016) and that it was sufficient to set up a new subsidiary in the host market; they considered the firm, therefore, as able to address the different market conditions. This belief was guided by their previously implemented internationalisation process and acquired general internationalisation knowledge and routines (e.g. how to convert weak foreign currencies) that had been successfully implemented in different foreign markets (e.g. Thailand and South Africa) across the globe. Accordingly the internationalisation strategy and risk levels were based on past internationalisation experience and knowledge, embedded in the cultural-cognitive mental models of the senior managers (Eriksson et al., 2000).

Based on the ex-ante perception and beliefs, when the senior managers were faced with contrasting external information and objective knowledge based on the difficulties encountered in the expansion process, the senior managers attributed them to the external market conditions. For instance, at the beginning, when the senior managers learned about the ownership regulations, the SVP attributed the challenges in being able to establish the new venture to these regulations, stating that: *"there are from our view incomprehensible regulations"* (AP I, 2016) to explain the initial difficulties experienced along the expansion process. However, as shown in the chapter findings, the regulations were not literally incomprehensible; they simply went against the personal values and beliefs of the senior managers, who were asked to enter a partnership with a local partner who would be entitled to a percentage of the profits without having to actively contribute to the value creation process. Yet the managers' contrasting underlying values meant that the information in the regulations presented a direct affront to their beliefs of how to expand abroad that then became an immovable obstacle in his mind to the expansion project (Eriksson et al., 2000). This value, of not wanting to share the potential monetary benefits and being deeper embedded in the market, was extremely important to the senior managers and they were therefore unwilling to deviate from the preferred internationalisation approach seeing it as a:

“no-go. Then we are not going to do that, then we are rather going to work with an external distributor” [Translated from German] (AP I, 2016).

This meant that the managers were not willing to deviate from the ‘dominant logic’ underpinned by their belief system and could not see the range of possible approaches to the problems which they were not able to address when they had actually faced them, and impeded indirect learning opportunities. Whilst current research suggests that MBE hasten their learning process by accessing experience-based (internationalisation) knowledge from these other sources (the grafted manager and learning from competitors and customers) (Eriksson et al., 1998; Johanson and Vahlne, 1990:12; 2009; Bingham and Davis, 2012; Forsgren, 2002; Huber, 1991), the senior managers not been able to recognise the scope of their knowledge gap in spite of having grafted the required market-specific knowledge. The underlying cultural difference and perceptions were so discrepant that they were unwilling to assimilate and transform potential useful ideas to indirectly learn from the grafted manager how to address the new unforeseen challenge in an expedited manner.

As shown, above in the second theme, the within case study analysis revealed that the senior managers’ values, beliefs and assumptions of how to expand had influenced the perception of the challenges so that the external market was to be blamed for the unresolved challenges was only shared by other senior managers. They placed a high value on achieving the preferred outcome based on the potential higher margins, which was underpinned by the shared belief and confidence that the company was able to handle “*unknown challenges*” [Translated from German] (HR I, 2016). The grafted manager, in contrast, as seen, perceived the misfit of the underlying cultural attributes in terms of values and beliefs about how to expand the operation incrementally with low risk levels preventing to act with “*entrepreneurial skills*” to develop flexible decision-making approaches, according to the extant knowledge and fundamentally different nature of the host context, as the underlying reasons for the difficulties.

These different beliefs and assumption of how to expand abroad created contrasting perceptions of the challenges and their different beliefs in their ability to handle the challenges in the host markets had impeded the ability to absorb the grafted experience-based knowledge. For instance, initially the senior managers were confident in their ability to draw on the existing routines and knowledge in order to mitigate the potential risk of the volatile foreign currency exchange rate. After having encountered through the direct

experience of trying it that the existing knowledge and routines were not able to address the encountered knowledge gap, in contrast to their ex-ante beliefs, the senior manager experienced a widening knowledge gap. However, they believed that they ought to go ahead and establish the venture and address the issue “*when shit hits the fan*” mirroring their belief that they were confident in their ability to address the challenge when it becomes a real problem (HR I, 2016).

When the situation continued to worsen, and they had not been able to find an ad-hoc solution to the encountered challenge, this direct leaning experience increased the psychic distance and stimulated the senior managers to search for new “*smart ways*” of how to address the knowledge gap (HR I, 2016; Cyert and March, 1963; Levitt and March, 1988). The senior managers relied on the grafted manager and his experience-based knowledge to find a solution to the challenge for them. The grafted manager had drawn on the gathered information and knowledge about competitors’ approaches of coping with the lack of foreign currency to offer potential new “out of the box” solutions of how to address the challenge. As outlined above in the first theme, the thesis revealed that the experiential market-specific knowledge and general experienced-based knowledge used to generate potential solution ideas to address the institutional and cultural differences within the host context were either explicitly or implicitly shaped by the personal values, attitudes and beliefs of the individual grafted manager. For instance he suggested investing in a small repackaging plant in the host market in order to obtain the required license to gain preferential access to foreign currency (AH III, 2018). Even though his personal values, attitudes and beliefs were not necessarily explicitly stated, his underlying cultural attributes (being flexible and willing to make a fast decision and to be ready to incur a higher risk compared to the other international operations) influenced the experience-based knowledge that was used to generate potential solutions. As a result, the senior managers were confronted with new “out of the box” ideas provided by the grafted manager including information about competitor’s business models indirectly conveying the message that they were not flexible and ready to commit to the risk of working with local currencies to cope with the emerged challenge, as others were willing and able to do so.

Admittedly, the senior managers had started to explore some of the potential solutions to the lack of foreign currency to the extent that the SVP had pledged that these ideas should be scrutinised, and one idea posed a lower risk (paying the supplier in local currency) and

had been explored in-depth, but was not feasible. Ultimately based on their own personal values and beliefs embedded in their own cultural cognitive mental models of how to act appropriately in the internationalisation process led them to perceive the grafted manager's ideas as "*out of scope*" since these very different from the current knowledge base and routines which posed a high risks and therefore had to be "*considered carefully and thoroughly*" (AP I, 2016) to avoid a "*financial adventure*" (MG I, 2016). The seniors were unwilling to recognise them as valuable due to their unwillingness to accept the underlying explicitly or implicitly contrasting personal values and beliefs inherent in the suggested practices (to act with courage to be willing to incur risks and flexibility to respond fast to the market changes) attached to the ideas or proposed actions. These ideas and practices were against their acquired values and beliefs and thus were hard to accept as suggested by Schein, (1985) (cited in Petersen et al., 2008:1100). The valuable experiential knowledge, therefore, was bounded by the context and the potentially useful experiential knowledge was not recognised as valuable (Petersen et al., 2008). Ultimately the VP MEA and SVP both commented that:

"no-one will do that, we will have to get it from the money market" [Translated from German] (HR I, 2016), "there is no-one in [Company name] who would approve such exchange business" [Translated from German] (AP I, 2016)

This illuminated the rigidity in the firms' decision-making process and routines which were tuned to mitigate the risks preventing to absorb the new knowledge and change the routines to make faster decisions. In accordance with extant research, the firm needed to absorb completely new knowledge (Ghoshal, 1987 cited in Autio et al., 2000:911) including experiential knowledge, and general experience-based knowledge which required them to overcome their rigidities based on existing knowledge and beliefs that are embedded in the firms routines to be able to effectively acquire new knowledge (Autio et al., 2000). This, however, did not happen due to the seniors' inner strive to avoid information that were contrasting their personal values and beliefs guiding their 'dominant logic' of how to expand, so that these ideas had not been assimilated and transformed into actual capabilities. This allowed the senior managers to act in accordance with their values and beliefs of how to expand abroad (i.e keep the risk low and their belief that situation was going to improve soon) to maintain their inner consistency between the personal values and beliefs and their behaviour in the expansion process.

Strikingly, as the decision had to be made, rather than acknowledging that the firm was missing knowledge, which was one possible interpretation, but this information was against the personal values and ex-ante beliefs of the senior managers. They had maintained their belief that they were able to cope with the market challenges throughout the process (guided by their confidence in their existing routines), and as a reaction of the difficulties encountered and contrasting information they repeatedly attributed the experienced challenges to the volatile and thus uncondusive external market conditions (which they were deemed to learn to deal with), as was shown in Appendix 9.6. They did not perceive the lack of appropriate internationalisation (enterprise) knowledge to be able to cope with it (Fletcher et al., 2013) as the underlying issue, even though this seemed to be logical conclusion from the direct searching efforts of having tried to apply the existing know-how and the indirect learning experience. They were very reluctant to change their belief and perception since the underlying value attached to the preferred outcome to be able to capture the higher margins, and their belief to keep the risk low was very great, so that the distress of not being able to realise this outcome and comply with their risk preferences was high. They were unwilling to accept the contrasting information as it required to change the underlying value and beliefs guiding their perceptions. Instead they maintained the inner consistency by justifying their decision to postpone the project based on their belief that the situation was going to improve so that the experienced difficulties would become erased. In other words, their value driven preferences to establish a wholly-owned subsidiary and beliefs of how to expand (i.e. low risk approach) guided their perception to assume that there needs to be a stable and reliable market context to enable them to invest for the long term:

“Yes, yes, we were aware of the foreign currency problems. This, for instance, is one of the reasons why the warehouse project was hampered. The currency was and is now an unsolved issue, and there are announcements that the regulatory framework is going to be changed again, which for us is another reason why there are delays. What these countries often do not understand, is that Western partners need relatively strong safety in order to make investments even for the establishment of such an entity. We do not want to do that for two weeks, but that should be a permanent part of the business, and if we are not able to do that or have the feeling that it will break tomorrow, then we are not bothered to do all the work today. And that is what many do not understand, that we need a certain consistency and reliability.” [Translated from German] (AP I, 2016)

This perception of attributing the inability to expand according to their preference to the external market conditions enabled them to avoid the contrasting information that the firm was missing knowledge to address the host context which was against their ex-ante beliefs

in their ability to do so, and enabled them to act in accordance with their personal values and beliefs to maintain the inner consistency between their personal values, beliefs and behaviours. In other words, the cognitive dissonance motivated the senior managers to refute the contrasting values and beliefs inherent in the ideas and proposed practices, and the information that they were not able to address the market conditions, and in order to act in accordance to these values and beliefs they rationalised their decision to postpone the project based on their beliefs that the external market conditions would improve to maintain their inner consistency. This perception, therefore, on the one side, allowed them to be consistent with their personal values and beliefs to maintain inner consistency, but on the other side, it prevented them from being able to recognise the value of the “*out of the box*” solutions offered by the grafted manager to the extent that these were not assimilated and transformed to be able to exploit it (AH I, 2016).

In short, the senior managers believed that they were able to handle the market conditions based on their assumptions and beliefs that they possessed the required know-how. When they faced their own reluctance to try out some of the new out of the box ideas, due to the underlying contrasting values and beliefs of how to address the challenge, and the contrasting information that other firms were able to address the market conditions more effectively than they were able to, they were inclined to avoid the interpretation that the firm was lacking the required knowledge to address the market context. Instead when they were confronted with the challenges, and thus information that contrasted their beliefs and underlying values of how to expand, they attributed the challenges to market based on their experience-based belief that the conditions had to be stable and reliable enough for them to be able to expand according to their preferences. Finally, in order to act in accordance with their perception and beliefs they postponed the project and believed that the situation was going to improve soon and that they could transfer their routine to rely on firms who have better means to get the foreign currency then they were able to as a temporary solution to the issue which catered to their beliefs and assumptions of how to expand with a low risk preference and enabled them to hold on to their preferred outcome so that they did not challenge their beliefs that they did not possess the appropriate experience-based knowledge to handle the market.

This rationalisation of the decision to postpone the project, after the senior managers had not been able to address the encountered market challenge (they remained unaware of

hidden cultural differences to be able to understand how and why the suggested ideas would have been valuable to cope with the market conditions) illustrates the significant impact of the underlying values and beliefs on their ability to recognise new potentially useful knowledge as valuable based on the persistence of this dissonance over time making the manager unwilling to change these attributes based on one event since these were fostered through numerous experiences over time. This illustrates why firms are not able to adjust their 'home grown mental maps' quickly to cope with fundamental different market contexts, since the underlying differed values and beliefs required to cope with the conditions may be in contrast to each other creating a psychological distress for managers at the headquarters and thus knowledge of how to address different cultural conditions may not become absorbed quickly.

In accordance with extant research on absorptive capacity, the case study revealed that the potential solutions of the grafted manager were in sharp contrast to the type of knowledge and practices the firm currently utilised. As was explained, the extant knowledge base had limited the search efforts, and this different underlying knowledge base prevented the senior managers from being able to interpret and understand the value of the grafted manager's ideas to be willing to approve these (Lane and Lubatkin, 1998; Zahra and George, 2002). Due to this 'history-dependence' of the managers ability to interpret and understand as well as the firm's routines, the new grafted knowledge was too distant from its current knowledge base to assimilate, transform and exploit the new knowledge to close the knowledge gap, and therefore limited its ability to effectively absorb the new experience-based knowledge from the cultural distant context (Zahra and George, 2002; Johanson and Vahlne, 1990; 2006, 2013; Cohen and Levinthal, 1990; Eriksson et al., 2000; Barkema and Dorgendijk, 2007).

Drawing on the cognitive dissonance concept, it is plausible to extend this insight and explain that the interpersonal cultural differences between the senior managers and the grafted manager limited their capacity to absorb experiential knowledge, resulting in their intrinsic inclination to ignore the contrasting values and beliefs that were underlying the new cultural knowledge. In order to maintain inner consistency between their personally-held values and beliefs and the external environment, the senior managers attributed the challenges presented in that environment purely to factors there - external market conditions - which enabled them to ignore the underlying differences of values, attitudes and beliefs that were in play there, and to avoid the anxiety of questioning the implicit values and beliefs that were

socially imprinted onto senior managers at the firm's headquarters (Minbaeva, 2007; Petersen et al., 2008). The individual cultural cognitive attributes shaped the perception along the internationalisation process, and in order to maintain the inner consistency between the inner values and beliefs, on the one hand, and performed actions, on the other hand, the senior managers were motivated to ignore the contrasting information and knowledge between the internal and external environments.

Most importantly, the senior managers' cultural cognitive elements and personal beliefs made them assume with some rigidity that market conditions would improve again and it was seen as more appropriate to wait for this to happen rather than entering a potential high financial risk by trying to transform the ideas to overcome a temporary issue. As shown, this belief seems to have been very important to the senior managers, who all shared it, enabling them to justify why these ideas were not necessary to be taken forward and to justify the eventually postponing the project to avoid the psychological distress of questioning the personal values and belief that were imprinted on them in the host context. This, however, prevented the refinement of the underlying existing cultural knowledge, beliefs systems and routines of how to address the cultural differences based on the new grafted cultural knowledge – the mental models of cultures (Zollo and Winter, 2002; Barkema and Drogendijk, 2007).

The findings showed that, in order to maintain inner consistency the senior managers were inclined to ignore the contrasting information which emerged based on the indirect learning process that the firm was lacking the required knowledge. In order to be able to maintain the inner consistency by not questioning the culturally imprinted values and beliefs that guided the managers' logic for action and beliefs of how to expand abroad. These were very important to them as these guided their behaviour to be able to address different markets across the globe. This importance assigned to them impeded their willingness to change these based on the events in the host context, and led them to attribute the underlying reason for the outcome to the external market conditions to avoid the underlying conflict between the implicit values and beliefs which had shaped the potentially valuable ideas and those helped by the seniors who shaped their perception of the ideas and their logic for action.

In spite of the intrinsic inclination to avoid the contrasting information and knowledge, the ongoing confrontation of the senior managers with indirectly-acquired knowledge and

information that other firms were capable of addressing the challenges, they did in the end start to reflect on whether their own mind-set regarding flexibility and risks was sensible in light of the experienced challenges in a much more volatile market context. When eventually they were partly starting to recognise that there was wider knowledge gap due to *“that flexibility in the thinking of the company [...] is not present”* [Translated from German] (AP I, 2016), they also recognised that this knowledge gap was going to be time-consuming to overcome based on their established routines to minimise the risk and the rigidities (i.e time consuming processes) that come with them (Barkema and Drogendijk, 2007). To ensure a low risk level consistent with the previously-acquired beliefs the senior management decided to freeze the project instead (Eriksson et al., 2000).

This decision illustrates starkly that the managerial perception of the senior managers motivated them to maintain inner consistency between their personal values and beliefs and their individual actions. Postponing the project allowed the senior managers to maintain inner consistency to avoid the psychological distress of having to face challenging interpretations of why the firm was not internationalising successfully into the fundamentally different context. Thus, in line with Johanson and Vahlne (2006) and Vahlne and Johnson, (2013) as well as Eriksson et al. (2000) the previously acquired internationalisation experiences, and knowledge including the underlying fostered beliefs and assumptions – referred to as the ‘history dependence’ - had impeded the future absorptive capacity of the firm explaining how and why experiential knowledge may not be absorbed quickly in firms that have internally acquired beliefs and ‘dominant logics’ through these previous experiential learning processes.

The study addresses the numerous calls to reconceptualise how culture is revealed to be manifested on an individual level, to refine the theoretical understanding of which cultural differences affect firms’ ability to effectively transfer experiential knowledge within themselves. There is an impasse in international business research seeking to understand how culture matters; in order to overcome this impasse, a move is needed away from sociological approaches that tend to analyse culture aggregated at the firm or national level, to psychological approaches that can explain the effect of the heterogeneity of culture on an individual level, to better understand the link between culture and behaviour (Caprar et al., 2015; Sharpe, 2004). This study, however, moves beyond the mainstream firm-level inquiries to illustrate how and why cultural differences on the individual level within the firm affected

the firm's ability to absorb knowledge in the minds of individuals, to refine how and why grafting might not enable firms to acquire experiential knowledge in a more expedited manner.

In order to so, this study combined the revelatory insights on how culture affects individuals' perceptions and behaviour with theoretical insights into the concept of cognitive dissonance to show how the liability of foreignness i.e hidden cultural differences between manager's limits the absorptive capacity of the firm. Drawing on the insights of psychological literature, the revelatory case highlighted that interpersonal cultural differences, limited their ability to recognise the value of knowledge that is either explicitly or implicitly linked to contrasting personal values, attitudes and beliefs. This novel qualitative approach allows the study to combine the liabilities of foreignness concept and the absorptive capacity concept to explain how and why interpersonal cultural differences and different cognitive models within the firm limit its capacity to absorb experiential knowledge that is not aligned with the mental models of the ultimate decision makers. This enabled the study to sensitise understanding of how and why interpersonal cultural differences, in addition to differences in the knowledge bases, may limit the capacity to recognise new experience-based knowledge from a culturally distant context as valuable - to effectively absorb indirectly-acquired experiential knowledge on an individual level, so that it is ultimately absorbed into firm-specific internationalisation knowledge. The study, therefore, provides a more nuanced theoretical process understanding of how and why interpersonal cultural differences within the firm limit its absorptive capacity contributing to the history-dependence of future learning and respective evolution of market-seeking, opposed to knowledge seeking, internationalisation processes (Malhotra and Hinings, 2010; Cohen and Levinthal, 1990; Vahlne and Johanson, 2013, Johanson and Vahlne, 1990; Autio, 2005; Barkema and Drogendijk, 2007).

This approach challenges the assumption that the variation in the individual's cultural attributes is insignificant to understanding of the impact of cultural distance on the group or national level, as previous cross-cultural studies such as Hofstede have suggested (Caprar et al., 2015; Devinney and Hohberger, 2016). Accordingly, this thesis explored how the revealed cultural differences manifest at the individual level in the natural research setting allowed capture of the actual influence of the culture on the perceptions and behaviour of the individual actors over time. This approach enables research to address the recent calls to pay attention to the role of individuals and to refine theoretical understanding of which

cultural differences matter, and how and why at the individual level they affect the ability to effectively transfer experiential knowledge between managers with different cultural backgrounds and ultimately to absorb experiential knowledge within the firm's extant routines and structures (Vahlne and Johanson, 2017; Song, 2014; Sharpe, 2004). Thereby the study revealed how interpersonal cultural differences affected the ultimate multi-layered cross-cultural decision-making process in the MBE when trying to expand abroad (Maitland and Sammartino, 2015). This contributes to refinement of the theoretical understanding of the unanswered question of how the cognitive diversity of individuals within the firm affected their perception of challenges, the proposed solutions and implementation; in so doing, it moves beyond the simplistic explanation that the firms learning process translates into effective opportunity-recognition and decision-making in foreign markets (Maitland and Sammartino, 2015).

In concordance with extant research, this thesis draws on the absorptive capacity concept to understand how and why the knowledge can be transferred within the same unit. As outlined by Johanson and Vahlne (1990, 2009) and Vahlne and Johanson (2017) the absorptive capacity concept is aligned and consistent with the conceptualisation of the incremental history-dependent knowledge accumulation process. This is critical to explain the time-consuming internationalisation process, and thus may be useful to further understand how the alternative learning processes affect the internationalisation process. This study illustrates how and why experience-based knowledge, acquired and shaped by the senior managers' values and assumptions, embedded within the MBE's learning routines and beliefs, as part of their internationalisation knowledge, shapes future absorptive capacity to carry out its internationalisation process in terms of strategies and risk levels (Eriksson et al., 2000). This insight allows the study to shed light on how interpersonal cultural differences and previously-acquired beliefs and assumptions embedded in the (internationalisation) knowledge base including routines and the earlier acquired 'home grown logics' and this 'history-dependence' limits the firm's ability to indirectly absorb experience-based knowledge from a culturally-distant host context (Barkema and Droegendijk, 2007; Eriksson et al., 2000). This sensitises understanding of how and why acquired logics for actions and 'history-dependent' learning in larger established firms only change slowly over time, and the grafting of an individual manager may not have a significant effect on the established knowledge base and practices as was suggested by Johanson and Vahlne, (2009), Vahlne and

Johanson (2013) and Eriksson et al., (2000). In addition, it refines our understanding of why larger established firms are unable to absorb new culturally distant experiential knowledge effectively into their knowledge base to improve and refine their routines quickly which contributes to the on-going debate of whether individually possessed experience-based knowledge cannot substitute firm-level internationalisation knowledge to close the knowledge gaps to unfamiliar markets in an expedited manner (Barkema and Drogendijk, 2007).

In sum, the theoretical theme of cognitive dissonance captured the refined theoretical mechanism of why interpersonal cultural differences limited the managers' ability and willingness to recognise the new knowledge as useful. In combination to lack of similar knowledge stocks, this restrained the firm's capacity to absorb the experiential knowledge acquired in a culturally distant host context. Most importantly, the study has revealed that this ignorance of potentially useful knowledge may persist due to individuals' intrinsic drive to be consistent with their own personal values and beliefs, creating blindness to potentially valuable knowledge. Finally, the theme cognitive dissonance is centred on the social structure of the empirical world, the value system and mental models, as a plausible theoretical mechanism to understand and explain how and why interpersonal cultural differences impede the ability to indirectly acquire experiential knowledge. This sensitises our theoretical understanding of how and why interpersonal cultural differences affect firms' ability to absorb experiential knowledge, which has not been addressed yet due to dominant quantitative methods that are incapable of capturing such perceptual factors (Michailova and Mustaffa, 2012).

5.5 Summary

The discussion of the abductive emerged theoretical themes enabled the study to challenge the assumption that experiential knowledge is transferrable between managers, and to sensitise the extant theoretical understanding by producing three theoretical themes of how and why experiential knowledge may not be transferred between managers.

First, the theme of tacitness and individual embeddedness revealed that the experiential market-specific knowledge required to address the knowledge gap has been imprinted and embedded in the individual's personal knowledge over time. The embedded nature of this implicit market-specific knowledge in the individual's cultural attributes, in terms values,

attitudes and beliefs, also shapes their general experience-based knowledge. The embedded and interlinked nature of experiential knowledge in the individual cultural attributes impacted managers' ability to explicate and codify their implicit and tacit experiential knowledge into explicit and general objective knowledge on an individual level. Further, these inherent difficulties of knowing more than he can say created an unwillingness to share the concerns with his superiors. Due to his inability to codify the experience-based knowledge the grafted manager was suspicious of whether they would be able to understand his concerns in regard to the company's capabilities, so that he suspected that they could not believe him and so that his attempts would have resulted in him wasting time and potential being resented by the senior manager since he was not able to prove objective evidence for his concerns.

This sharpens theoretical understanding of how and why experiential knowledge is difficult to codify and explicate into objective knowledge, and is therefore difficult to transfer between individuals with different cultural backgrounds. The study thereby illustrates that although the theoretical insights into knowledge transfer and organisational learning in general are certainly helpful in exploring the ability to transfer knowledge within a firm, it is important to remember that these extant theoretical insights are based on the ability to primarily transfer technological know-how, as opposed to market-specific, experiential, cross-cultural knowledge. The theoretical insights of the knowledge-based-view literature may not be as generalisable which contributes to sharpen the current ambiguous view of how 'knowledge' and its role in the internationalisation process model (Steen and Liesch, 2007).

Secondly, the theme of interpersonal cultural differences revealed that interpersonal cultural differences between managers affected their ability to absorb experiential knowledge. The abductive analysis revealed that individuals' values, attitudes and beliefs shaped their perception of the knowledge gap and how to address the perceived challenges, and their ability and willingness (absorptive capacity) to recognise potentially useful experiential knowledge. The theme reveals that the individual's personal cultural attributes shaped their cultural-cognitive dimension to the extent that the senior managers located at the firm's headquarters were unable to recognise the value of the potentially useful experiential knowledge. This refined causal connection, of how cultural differences, and more specifically the cultural-cognitive elements within the firm, may impact its ability to recognise useful

knowledge, allows the study to combine and to refine the extant theoretical understanding put forward by the constructs of cultural and psychic distance and absorptive capacity to illustrate how these intercultural differences impact the ability to absorb experiential knowledge (absorptive capacity) within one unit of the MBE.

The third theme, cognitive dissonance, abductively emerged as a theoretical mechanism which could explain why interpersonal cultural differences persistently limited the firm's ability to absorb experiential knowledge acquired in a culturally-distant market. The refined understanding of how these interpersonal cultural differences impeded recognition of the value of experiential knowledge allowed the author to postulate a novel theoretical mechanism of how and why revealed cultural differences on an individual level limit firms' ability to absorb grafted experiential knowledge from a culturally distant context, which improves our appreciation of the importance of how grafting serves as an expedited means to acquire experiential knowledge that can reduce the knowledge gap in larger MBEs.

6 A Process Understanding of Barriers to Absorption when Grafting Experiential Internationalisation Knowledge

6.1 Introduction

The following chapter will discuss the process-based explanation of how and why the indirect learning process of grafting impacted the firm's ability to close its knowledge gap in an expedited manner, so that the study can sharpen theoretical understanding of whether grafting may - or may not - accelerate a firm's internationalisation process over time. In order to illustrate and explain the process-based explanation, the author developed a visual process diagram that captures how and why interpersonal cultural differences restrained the managers' ability to recognise potentially valuable experience-based knowledge. This impeded the managers' and ultimately the firm's ability to absorb the indirectly-acquired experiential knowledge via grafting to close the knowledge gap and, by the same token, to accelerate the internationalisation process. This process diagram, therefore, illustrates how and why the indirect learning process of grafting may not enable firms to accelerate their internationalisation process into culturally distant and therefore unfamiliar markets. Important is to outline that the diagram illustrates that the direct experiential learning has been most important to alter the perception of the key decision-makers. The following will begin by outlining the developed processual understanding and explanation, then subsequently discuss these critical process insights in light of the current theoretical understanding, helping to sharpen our understanding and explanation of how and why the direct and indirect learning processes drive and thereby can also explain the evolution of internationalisation process over time.

6.2 A Process Understanding of Barriers to Absorption when Grafting Experiential Internationalisation Knowledge

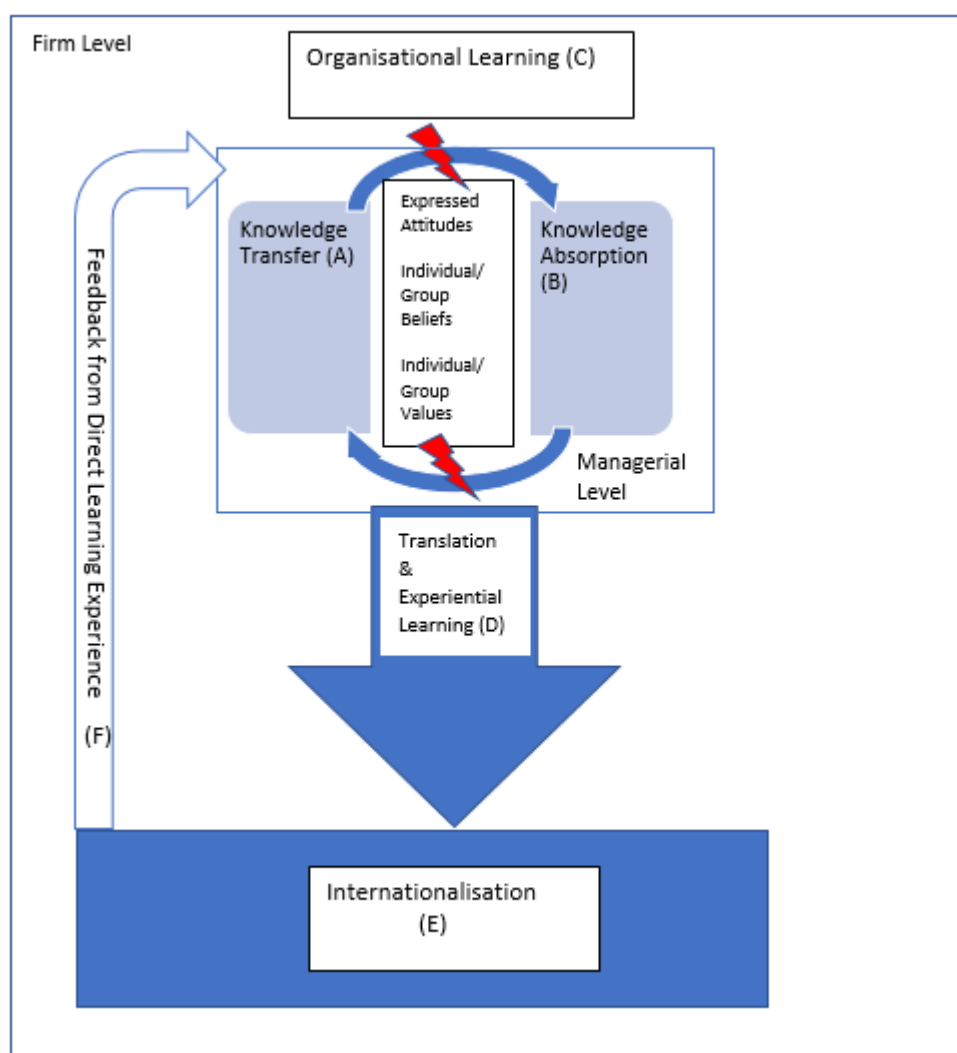
The previous chapter illustrated those emerged theoretical themes that revealed how and why interpersonal cultural differences, in terms of individual versus group attitudes, individual versus group beliefs and individual versus groups values, limited the firm's ability to absorb experiential knowledge that has been grafted within its extant knowledge base. As

shown in Figure 7, the depicted process diagram (A and B) demonstrates that those interpersonal cultural impediments prevented the firm from absorbing both types of experiential knowledge - implicit market-specific knowledge and general experienced-based (cross-cultural) internationalisation knowledge - into the existing firm-specific internationalisation knowledge (C), which in turn prevented the senior managers from being able to recognise and address their knowledge gap in advance. As was shown, in the previous chapter the senior managers had been subject to an overconfidence based on in their own learning routines which were referred to as the company mentality as well as operational capabilities and routines of how to address a lack of foreign currency to be capable to be transferred to the new market, which resulted in a misconception of the ex-ante perceived knowledge gap. As a consequence, the senior managers had to 'learn by doing', to experience difficulties and deviation from their performance aspirations (D) and thereby recognise their knowledge gap. This direct experiential learning process was the most important learning process for the key decision-making managers to be able to address the liability of foreignness and the 'partial ignorance' of the senior manager (Vahlne and Johanson, 2017). In accordance with Cyert and March (1963) and March (1999), this direct experiential-learning process based on the performance difficulties encountered was critical to enable the managers to recognise and learn how and why the 'dominant logic' of how to expand, was not applicable to the new market context (Eriksson et al., 2000).

Despite the direct learning experience of the challenging external conditions and respective information and knowledge, the senior managers, as has been demonstrated, maintained their inner consistency, by deflecting the contrasting knowledge and information they were confronted with, attributing the experienced problems to the market rather than the lack of experienced-based knowledge of how to cope with the different market conditions. In other words, they manifested the perception that the reasons for the experienced difficulties were attributable to the unfavourable and volatile market context rather than their own lack of knowledge of how to cope with these challenges. Most importantly, this perception, which was driven by the individual cultural attributes, impeded the senior managers' ability to assimilate and therefore to absorb the general experience-based knowledge to be able to address the implicit cultural differences and knowledge gap along the expansion process. Despite the direct experiential-learning process, which facilitated convergence of the discrepant managerial perceptions of the core challenges, the senior managers did not

recognise the potential value of the grafted experience-based knowledge of how to address the difficulties and knowledge gap. This prevented the managers from being able and willing to absorb the potentially valuable grafted experience-based knowledge and integrate it into the firm's knowledge base (Zahra and George, 2002).

Figure 7. Process Diagram of Barriers to Absorption when Grafting Experiential Internationalisation Knowledge



Having drawn on the insights of the psychological literature on cognitive dissonance, the thesis illustrates that the individual managers' ability to recognise useful experience-based knowledge that was acquired in culturally distant context was limited, due to explicitly or implicitly underlying contrasting values and beliefs of potential useful experiential knowledge between the sender, i.e. the grafted manager and the recipient, i.e. the group of senior

managers. The senior managers were seeking to maintain an individual perception, which allowed them to be consistent with their own personal values and beliefs. This psychologically-driven desire to be consistent sustained an ignorance of the potentially useful, though ambiguous, experience-based knowledge (Szulanski, 1996). As seen, this perception resulted in them deciding to postpone the implementation rather than aborting or amending the internationalisation process. This decision was consistent with their own personal cultural cognitive elements in terms of values and beliefs and therefore enabled them to avoid psychological distress and to maintain their inner consistency (Festinger, 1962). As a result, the potentially valuable experience-based knowledge that could have enabled the firm to address its knowledge gap in an expedited manner was not absorbed into the minds of the senior managers and ultimately, therefore, was not absorbed in the firm's internationalisation knowledge and routines (E), impeding the ability to accelerate the willingness to invest further into the host market.

Nonetheless, the direct experiential learning started to trigger a reflection among the senior managers of whether their 'dominant logic' was appropriate to penetrate the culturally distant context (F). Albeit this reflection of whether the firm was flexible enough was restrained by the intrinsic desire to maintain inner consistency, and therefore incremental, the inability of the managers to address the increasing repercussion on the foreign sales performance (which was very important to them) enabled the grafted manager to propose and eventually implement an alternative solution (strengthening the relationships with existing external distributors which had better access to foreign currency by creating non-exclusive distribution contracts instead) capable of addressing the knowledge gap and that also resonated with the values embedded in the firm's 'dominant logic' and the acquired internationalisation knowledge of the senior managers.

This alternative solution of creating external distribution contracts instead of creating a wholly-owned subsidiary was consistent with the senior managers' values and beliefs (keeping the risk levels low whilst maximising profits) which were acquired during past experiences and embedded in their internationalisation knowledge (to rely on an external distributor if the firm was not able to address the lack of a weak foreign currency) (Eriksson et al., 2000). However, this study revealed that the grafted manager was only able to convince the senior managers about the value of the alternative expansion strategy after they had taken the company through the direct experience of slowly trying their preferred

tactics and based on performance feedback seeing conclusively that the preferred outcome was not feasible amidst the encountered knowledge gap. This direct experiential learning process was slow and steady, but seems to have made it possible for the managers' cognitions to be incrementally altered to finally perceive the lack of flexibility as key to the inability to internationalise faster. The extant knowledge base and underlying beliefs of the senior managers to be capable to address the host market conditions were placed in contrast to reality based on the direct learning experiences about the firm's ability to address these, and seemingly led to learning about the firms knowledge base and reflection on some established beliefs in regard to the firm's ability to do so. The change in these underlying beliefs was nonetheless still impeded by that same preference for the low risks and the intrinsic inclination to avoid knowledge that would undermine the personal values and beliefs of the managers. The values and beliefs that shaped the history-dependence and 'dominant logics' of the senior managers restrained their ability to integrate the new experience-based knowledge quickly (Eriksson et al., 2000). This lack of knowledge about the firm own resources and superstitious learning about the firm's current ability to address the external market had limited the ability to increase the absorptive capacity as suggested by (Foss, 1999 cited in Steen and Liesch, 2007:197).

This alternative solution ultimately resonated with the extant internationalisation knowledge and underlying core values and beliefs of the key decision-makers i.e to maximise the profits whilst minimising the financial risk. The experience-based knowledge was, therefore, easier to understand and was considered to bear less ambiguity, uncertainty and risk by the key decision-makers, enabling the grafted manager to gather and integrate market-specific knowledge and his experience-based knowledge with the firm-specific internationalisation routines and operations (E). As a result, the new grafted experience-based knowledge was similar enough to be compatible and therefore absorbed quickly into the existing firm-specific internationalisation knowledge and routines (i.e. to rely on an external contractor if the firm is not able to develop a solution to the lack of foreign currencies) (Cohen and Levinthal, 1990). The potentially valuable, but distant experience-based knowledge, however, was not effectively absorbed in the minds of the senior managers and therefore were not able to overcome the knowledge gap on their own to be willing to increase the resource commitments rapidly to develop new capabilities that could address the lack of foreign currency. Nevertheless, the grafted manager used his market-specific and general

experience-based knowledge to propose an alternative that resonated sufficiently with the senior manager's internationalisation knowledge and routines which translated the decision-makers' underlying values and beliefs that were embedded in their 'dominant logic' including the demands of a low-risk approach which simultaneously enabled them to improve the profitability of the overseas sales operation into an acceptable and feasible expansion outcome in the host market.

The process understanding and diagram, hence, sharpens the theoretical understanding of how and why the values and beliefs of the key decision-makers which are embedded in the firm's 'dominant logic' (including assumptions and established routines) embedded in the firm-specific internationalisation knowledge may impede a firm's future absorptive capacity i.e. the ability to absorb potentially valuable experience-based knowledge that has been grafted from a culturally-distant context into the firm-specific internationalisation knowledge to be willing to make resource commitments to transform its knowledge base including the routines and capabilities.

6.3 Unpacking the Liability of Foreignness, the Absorptive Capacity and the Speed of Learning in Internationalisation

The Uppsala internationalisation process literature suggests that experiential learning is a cumulative, history-dependent, and therefore time-consuming process which unfolds over time, since it requires repeated practice to be absorbed into the minds of the individuals and ultimately in the firm's routines and structures (Eisenhardt and Martin, 2000, cited in Vahlne and Johanson, 2017:1095). However, current research has black boxed the individual 'micro-mille' level, which prevents investigation and understanding of how and why experiential knowledge may or may not be transferred and absorbed on an individual level. Accordingly, there is a gap in the current theoretical understanding of how and why pre-existing experiential and experience-based knowledge can be absorbed in a firm's knowledge base in order to take advantage of indirect means to acquire experiential knowledge in more expedited ways compared to the direct experiential learning of trial and error.

Johanson and Vahlne (2009) suggest say that, for larger MBEs, even when changing the parameters to individual managers instead of those pertaining to the firm level, there is nothing that indicates that internationalisation cannot be done quickly. Accordingly to them grafting an individual manager with the previously-acquired international experiences may

accelerate the internationalisation process; but this is considered “a formality of no major significance” (Johanson and Vahlne, 2009:1421). Accordingly, Johanson and Vahlne (1990) draw on Penrose (1959) to suggest that, based on the absorptive capacity concept on the firm level, that the experiential learning process of learning how to interpret information from inside the firm and from outside the market is difficult to substitute for personnel, experiences and advice from outside, when it is needed to diminish the decision-makers’ perceived distance, uncertainty and associated reluctance to commit to the foreign market (Steen and Liesch, 2007:197; Petersen et al., 2008; Welch et al., 2016). Vahlne and Johanson (2017:1094) acknowledge that “what managers learn - and their interpretations - depends heavily on previously acquired knowledge, that is, learning is affected by prior experiences”. Accordingly, managers cannot learn quickly if they are not able to interpret new experiences; if they occur quickly, these may overwhelm the managers, who are unable to transform the experiences into meaningful learning (Vermeulen and Barkema, 2001; Martin and Eisenhardt, 2000). In the revised internationalisation process model, Johanson and Vahlne (2009) and Vahlne and Johanson (2017) argue that firms’ and managers’ extant internationalisation knowledge affects their ability to learn in order to internationalise. They go on to suggest, that those individual managers’ previously-acquired knowledge of foreign markets and internationalisation may not have a significant impact on their internationalisation processes since the firm does in effect start to internationalise from scratch; its integration of tacit experiential knowledge into general and explicit firm-specific knowledge will take time and the pre-existing experiential knowledge possessed by an individual, therefore, may not have a strong effect on the speed of the firm’s internationalisation process.

Since firms are assumed to start internationalising from scratch they have to ‘learn how to learn in foreign markets’, to develop routines and internationalisation knowledge to be able to assimilate, transform and exploit new knowledge in their internationalisation process. These developed (assimilation) routines (Blomstermo et al., 2004; Petersen et al., 2008) may not allow the firm to analyse, process, interpret and understand information from external sources, i.e. the grafted manager (March and Simon, 1958 cited in Orr and Scott, 2008:566; Petersen et al., 2008; Szulanski, 1996) since the required cultural understanding to be able to interpret the new experiences in the market are hard to grasp (Zaheer, 1995). This, again, is why the logic of the theory suggests that learning - i.e. acquisition of new (experiential)

knowledge - is a history-dependent, cumulative learning process, which needs repeated (experiential) practice to be consolidated into firms' extant (internationalisation) knowledge pool, through reflection over time (Eriksson et al., 1997; 2000; Vahlne and Johanson, 2017). Yet, research has not examined the individual level to be able to explain how and why grafted experiential knowledge may not be integrated and absorbed quickly and therefore may not have a significant impact on firms' speed of internationalisation.

This study has examined how and why interpersonal cultural differences affected the firm's ability to absorb grafted experiential market-specific and general experience-based knowledge from a culturally-distant context onto an individual level, and how it impacted the ability to recognise the knowledge gap to be able to absorb it into the firm's extant internationalisation knowledge to recognise the knowledge gap and to transform its capabilities and routines to do so on a firm level. The following will now discuss the three theoretical insights that have been gained based on the process understanding

Firstly, the process diagram illustrates that the interpersonal cultural differences, in terms of values, attitudes and beliefs, impeded the ability to transfer and absorb experiential knowledge on a managerial level. As shown in the diagram, the ability to transfer experiential knowledge from the grafted manager (A) to the senior managers (B) within the same unit, the headquarters (C) was affected by differences between the individual beliefs and values of the grafted manager and the group belief of the senior managers at headquarters. Most importantly, the thesis revealed that the ignorance of the potentially useful experiential knowledge was not due to underlying cultural differences in terms of individual values, attitudes and beliefs per se, but due to the significantly contrasting values, attitudes and beliefs embedded in the cultural cognitive models between the grafted manager, on one side, and the senior managers, on the other. As explained in the previous chapter, the individual managers' interpretation of the social world around the managers and their logic for appropriate behaviour were guided by their cultural cognitive models in which the personal values, attitudes and belief systems were embedded (Orr and Scott, 2008).

As shown in the findings sections, the grafted manager possessed both explicit market-specific knowledge, tacit know-how of how to 'play the game', i.e. deal with these implicit cultural assumptions in the host market. The grafted manager had also acquired general cross-cultural experience-based (internationalisation) knowledge over time, shaped by the

values and cultural assumptions prevailing in the host context. As a result, his experientially-acquired, tacit market-specific know-how and general experience-based knowledge had become embedded and interlinked with his cultural attributes (Vahlne and Johanson, 2017; Petersen et al., 2008). Therefore, in concordance with extant research, this embeddedness, of the implicit experiential market-specific knowledge in the cultural attributes of the individual was in practice tacit, creating a critical obstacle to transfer experience-based knowledge between the individual managers (Petersen et al., 2003).

In concordance with extant assumptions in internationalisation process research the grafted implicit market-specific knowledge and tacit know-how was critical to recognise and address the knowledge gap (Zaheer, 1995; Kostova and Zaheer, 1999; Mezas et al., 2002; Zaheer and Mosakowski, 1997; Johanson and Vahlne, 1977; Johanson and Vahlne, 2009). The impediments to transfer the implicit market-specific knowledge and tacit know-how on the individual level, however, prevented the senior managers to indirectly acquire tacit experiential market-specific knowledge from the grafted manager to be able to recognise the knowledge gap beforehand; the managers suffered the 'partial ignorance' of not knowing what they did not know (Ansoff, 1965, cited in Vahlne and Johanson, 2017:1091). As we have seen, in the discussion of the theoretical themes, at the beginning of the process the senior managers were unaware of the knowledge gap and seemingly believed that the firm possessed the appropriate experiential knowledge and routines developed from the internationalisation experiences to address the knowledge gap. In concordance with extant research, this belief was seemingly driven by the successful past expansion experiences and the confidence that these learning and operation routines developed from experiential knowledge can be transferred to address the knowledge gap (Winter and Szulanski, 2001). The senior managers' mental models lead them to deem the established routines to be transferrable to new situations, which created an unintended ignorance of the hidden cultural differences and possible future failures (Orr and Scott, 2008; March, 1999 cited in Petersen et al., 2008: 1098). As a consequence of the confidence in the extant routines and inability to transfer the tacit market-specific knowledge, the key decision-makers erroneously perceived the knowledge gap to be small, but were faced with a 'partial ignorance' - of not knowing what they do not know- resulting in superstitious learning (Ansoff, 1965 cited Johanson and Vahlne, 2017:1091). As shown, this lack of knowledge about the firm own resources and superstitious learning about the firm's current ability to

address the external market had limited the ability to increase the absorptive capacity as suggested by (Foss, 1999 cited in Steen and Liesch, 2007:197).

Additionally, the grafting seems to have reduced the perceived psychic distance of the senior managers and this perception gave them the impression that the required market-specific and experience-based knowledge was available within the firm, adding to overconfidence about possessing the relevant knowledge and routines and therefore their ability to enter the foreign market (Petersen et al., 2008). This impression led the senior managers to believe that all they needed was replication of the standard internationalisation strategy without adjustment to the particular market differences. This perceived small psychic distance adds to the explanation of how and why the senior managers superstitiously learned of having to deal with the uncertainty in the events, and had not possessed the required cross-cultural knowledge to be able to interpret and address these, which created an ignorance of the hidden cultural factors which amplified their 'partial ignorance' in their decision-making.

The grafted manager, on the other hand, had recognised the knowledge gap between the firm's current knowledge base and routines and capabilities and the required knowledge base to address the new market context from the beginning of the process. In contrast to extant research which suggests that grafting market-specific knowledge and general experience-based may reduce that gap and therefore help reduce the need for direct experiential learning to speed up the internationalisation process (Huber, 1991; Forsgren, 2002), the thesis revealed that the grafted manager was not able to codify the tacit market-specific and tacit cross-cultural experience-based knowledge into a general, explicit and objective knowledge that he could transfer to the senior managers. In contrast to extant research (Johanson and Vahlne, 1977; Vahlne and Johanson, 2017), experiential (market-specific and/or internationalisation) knowledge acquired in the foreign markets over time was not automatically disseminated by some 'invisible hand' to the key decision makers at the top of the hierarchy, as the ultimate decision-makers (Petersen et al., 2003). In concordance with extant research (Petersen et al., 2003), due to the hierarchical decision-making processes in a large MBE, the experiential market-specific knowledge, crucial to recognise the knowledge gap in advance, was neither transferred nor absorbed into the minds of the senior managers and therefore not integrated into the firm's strategic decision making process before the expansion began.

Also in concordance with extant internationalisation process research, the previously-acquired internationalisation knowledge, including underlying values and beliefs acquired by previous expansion experiences of the senior managers, embedded in the firm's internationalisation knowledge and learning routines, were what shaped the future absorptive capacity of the firm (Johanson and Vahlne, 2006; Eriksson et al., 2000). Likewise in relation to Nadolska and Barkema (2007) and Steen and Liesch (2007), the firm's senior decision-making managers had not learned what part of their internal capabilities and routines as well as internationalisation knowledge (e.g. about the national cultures and entry modes) was applicable to the new culturally-distant context, which affected the ability to internationalise effectively.

The senior managerial over-confidence described above impeded their ability to recognise the knowledge gap in advance, and restrained their willingness to absorb the relevant grafted internationalisation knowledge that would have allowed them to recognise the scope of their knowledge gap. For instance, as shown in the findings chapter, the top-down decision-making process, the underlying reason why the senior managers were not able to absorb the grafted experiential knowledge, was due to them sharing the same mentality, i.e. they believed that it was appropriate to try and carry out the assessment process and then decide whether it was worth to invest or not, rather than stop the expansion process based on a new but implicit reasons, such as that given by the grafted manager which had made him reluctant to share his concerns at the beginning of the process.

As a result, when difficulties addressing the unforeseen market conditions arose, the senior managers did not attribute these to the firm's own failings. Specifically, as shown in Appendix 9.6, the senior managers had shared the value and beliefs that market conditions have to be stable and predictable enough to facilitate the investment of Western firms, and believed that their firm did possess the appropriate knowledge to cope with the new market conditions. In concordance with extant research (Neisser, 1976, cited in Eriksson et al., 2000), this 'dominant' internationalisation logic was based on the past experiences that was acquired by the senior managers which had shaped the assumptions, beliefs systems and future absorptive capacity of the firm (Eriksson et al., 2000).

Secondly, as indicated by the arrow D, the experiential-learning process of 'learning by doing' was critical for the managers to incrementally recognise the knowledge gap between the

firm's extant and required knowledge to operate successfully in the host context. As with extant research (Cyert and March, 1963; March, 1999; Petersen et al., 2008), the study revealed that the direct experiential learning process - i.e. 'learning by doing' and recognition of performance falling below the expected level in addition to perceive a wider psychic distance - was critical for the firm to recognise why its current experiential (internationalisation enterprise) knowledge stock was insufficient to address the contextual differences between home and host context. Echoing Johanson and Vahlne (2009), this 'learning by doing' process was critical to discover the knowledge gap to achieve the aspired performance; this is argued to serve as an incentive to learn for the firm (March, 1999; Fletcher and Harris, 2015).

As market conditions started to worsen, senior managers were repeatedly confronted with contrasting information and general experience-based knowledge from the grafted manager about the market - i.e. that other firms (competitors and customers) possessing the appropriate experiential knowledge were addressing the contextual conditions more successfully in order to search for new ways of coping with the unforeseen challenge. This external market information and general objective knowledge signalled that the firm did not possess appropriate experiential knowledge to close its knowledge gap. In spite of this, as seen, the status quo prevailed among the managers. In line with Welch et al. (2016), despite the rich availability of information to the decision-makers, it still needs to be interpreted properly, learned, absorbed and acted upon.

Amidst increasing repercussions on sales performance, the senior managers searched for established routines and potential solutions to the problem. The senior managers came to see through the process of 'learning by doing' that their extant blueprint of internationalisation was not applicable to the new context due to the different institutional regulations in the host market. Following Levitt and March (1988, cited in Petersen et al., 2008:1098), the hidden cultural differences and the superstitious learning - in other words the fallacious application of knowledge from one market to another - the managers had experienced a widening knowledge gap, as the extant internationalisation knowledge was not applicable in the new context. Whilst they were starting to recognise the knowledge gap through direct experience, their extant internationalisation knowledge and underlying 'dominant logic' of rigidity and low risk continued to impede their mental model of how to deal with the challenges.

The senior managers assumed that the market conditions would improve again, this, in turn, restrained their ability to recognise potential useful solution ideas that were able to address the encountered knowledge gap more rapidly. As was shown in the findings chapter, the grafted manager had offered potentially useful, explicit “*out of the box*” (AH II, 2016) solution ideas based on his tacit experiential knowledge of ‘how to play the game’. As illustrated in the respondent statement cited in Phase III, the grafted manager’s ideas were shaped by his belief that it was appropriate to act in an entrepreneurial manner, to react rapidly to changes in the market, rather than to wait for the situation to improve. While the managers perceived a small psychic distance and confidence in their routines and processes, the grafted manager was well aware of the extent of the knowledge gap as well as the lack of appropriate routines (and capabilities) to be able to assimilate, transform, and exploit the grafted knowledge effectively to address the encountered widening knowledge gap.

The differences between them meant that the grafted experience-based knowledge was not recognised as valuable, in addition to the lack of similar knowledge and routines to be able to effectively absorb it into the firm internationalisation knowledge: so solutions that were normal to the grafted manager for the host context remained ambiguous for the managers at headquarters and they had considered them as “*out of scope*” since these posed a high risk based on both the underlying values driving their belief to avoid substantial risks and assumptions (assuming that the market conditions would improve again) and their lack of similar knowledge and routines to be able to transform the grafted experienced-based knowledge into new capabilities to close the sudden encountered knowledge gap quickly (Fletcher et al., 2013; Reed and DeFillippi, 1990; Zahra and George, 2002; Sapienza et al., 2006). As such the underlying values and beliefs embedded in the extant knowledge base and routines had impeded the firm’s ability to learn and effectively absorb completely new experience-based knowledge from the grafted manager (Autio et al., 2005).

In contrast to internationalisation process research, which has assumed that the characteristics of internationalisation knowledge, i.e. tacit vs objective, to be predetermined (Petersen et al., 2003), this study reveals that tacit internationalisation knowledge might well be explicated into objective solution ideas, but that even then the underlying values and beliefs of those involved may impede their ability to assimilate valuable experience-based knowledge. This is an important insight that sharpens our understanding of how and why pre-existing general experience-based knowledge might not be absorbed quickly and,

therefore, in line with Uppsala logic, may not enable larger firms to close the knowledge gap in an expedited manner. Endorsing extant research (Eriksson et al., 2000; Cohen and Levinthal, 1990; Barkema and Drogendijk, 2007:1136; Petersen et al., 2008; Stahl et al., 2016), this study thereby demonstrates that the distance between the extant internationalisation knowledge base of a large MBE and its new experience-based knowledge, in addition to interpersonal cultural differences, affected its absorptive capacity and its speed of learning.

The senior managers were again faced with liability of foreignness and not knowing how to interpret the events in the host market which resulted in a 'partial ignorance' (Eden and Miller, 2001; Kostova and Zaheer, 1999; Mezias et al., 2002; Zaheer and Mosakowski, 1997). They lacked the cultural understanding and tacit knowledge to interpret the external market information "correctly" to be able to perceive the grafted general experience-based knowledge as valuable, and therefore the firm's indirect learning ability from pre-existing knowledge - i.e absorptive capacity - of how to address the new cultural context had its limits, despite extensive previous internationalisation experiences of the senior managers across the globe (Weick, 1979:1091; Cohen and Levinthal, 1990; Barkema and Drogendijk, 2007). Hence, the underlying differences between the pre-existing knowledge base and routines representing the firm's absorptive capacity had restrained the firm's ability to learn quickly from the grafted manager contributing to shed light on the inconclusive debate on whether internationalisation knowledge and established routines is applicable to different market contexts and therefore may not enable firm to learn faster, since these may restrain a firm's ability to learn in culturally distant markets (Orr and Scott, 2008; Petersen and Pedersen, 1999; De Clercq et al., 2012).

Further, the experience seems to have been too fast to transform the experience into meaningful learning (Martin and Eisenhardt, 2000; Dierickx and Cool, 1989; Barkema and Vermeulen, 1998). As with extant research internationalisation process research, different market conditions (Petersen et al., 2003) required a different, risk-taking approach to be successful, and the firm might have had to adapt, in order to carry out less incremental and more risky internationalisation processes, which empirical research has illustrated to be equally successful (Andersen, 2000; Petersen et al., 2003). As argued by Petersen et al. (2003) these assumption may not be compatible with the bounded rationality and risk-averse assumptions of the decision-makers in the Uppsala internationalisation process model which stressed the

long term profits as growth and manager seek to keep the risk level low to safeguard the survival of the firm (Johanson and Vahlne, 1977:27, 2009; Sapienza et al., 2006), and this study reveals why it is important to consider how the interpersonal cultural differences and managerial discretion and their agency may affect a firm's ability to absorb potentially useful experiential knowledge and thereby the ability to indirectly acquire experiential knowledge through grafting (Petersen et al., 2003; Steen and Liesch, 2007; Eriksson et al., 2000; Maitland and Sammartino, 2015).

In spite of the availability of new potential valuable experience-based knowledge that could enable the firm to address the knowledge gap, the senior managers were not able and unwilling to arrive at the same "correct" interpretation for the experienced problems as the grafted manager had. This different interpretation and perception impeded them from being able to value and assimilate the potential useful knowledge to learn quickly how to address the knowledge gap. According to the extant internationalisation knowledge of the senior managers there were two options of how to proceed: either, 1) surrender trying to overcome the knowledge gap on their own and rely on a third party with the relevant knowledge; or, 2) postpone the project until conditions in the host context improve, enabling an expansion according to their prevailing internationalisation knowledge and preferences. Option 2 won of course, as seen: the belief in maximising future profits via a wholly-owned subsidiary was too strong a template when difficulties arose. This value driven preference and the need for inner psychological consistency and stress-avoidance even led to the senior managers postponing the project to act in accordance with their values and beliefs, instead of achieving the necessary changes in individual cognitions and associated willingness to transform the new potentially useful knowledge into new capabilities that were able to address the knowledge gap.

This is in concordance with Johanson and Vahlne (2009) and Vahlne and Johanson (2017): the direct experiential-learning process to acquire experiential knowledge that pertains to hidden and implicit cultural assumptions in host market conditions cannot be carried out quickly, due to the implicit nature of the hidden values and cultural assumptions; and this tacit knowledge, therefore, is difficult and time-consuming to 'learn by doing' via trial and error in the host market (Johanson and Vahlne, 1977; Zaheer, 1995; Petersen et al., 2008). The study, therefore, illustrates that the senior managers' personal values and beliefs and their intrinsic desire to be consistent with these as well as to behave consistently accordingly

to these, impeded them from recognising knowledge deficits and indirectly learning by absorbing the grafted manager's know-how to address them in light of the inherent uncertainty of experience-based knowledge.

The thesis has revealed that the ability to assimilate and value new experience-based knowledge was limited by the senior managers' (culturally-driven) perception. Whilst the direct experiential learning process had incrementally changed the perception and some less important values and beliefs (flexibility) underlying their cognitions, the distance between the firm's extant experiential knowledge stock (including current capabilities) and routines compared to the grafted knowledge had impeded the ability to transform and exploit the ideas quickly. The liability of foreignness of senior managers in regard to the host context and cultural distance had created a 'partial ignorance' that limited the ability to interpret and understand ambiguous experience-based knowledge, the firm's extant knowledge base lacked a lot of entrepreneurial capabilities; this lack of similar knowledge impeded the firm's ability to transform and exploit the 'out of the box' ideas that were flexible and associated with higher risks (Zahra and George, 2002; Song, 2014; Michailova and Mustaffa, 2012; Petersen et al., 2008). After the managers slowly learned and recognised the lack of flexibility in handling the knowledge gap through the direct experience, they started to recognise the scope of the knowledge gap i.e. lack of flexibility in their capabilities in addressing the lack of foreign currency, but based on their strong importance attached to the low risk approach to maximise the profits and safeguard the survival of the firm, they were yet unwilling to commit resources to transform these potential useful ideas into new capabilities due to their experience-based belief which led them to assume with rigidity that the conditions would improve coupled with the high value attached to maintain a low risk.

As shown in extant research on the absorptive capacity in internationalisation processes (Vahlne and Johanson, 2017), previously-acquired capabilities and routines representing the knowledge base, restrained the firm's ability to address fundamental different market context, and was time consuming to be altered (Dierckx and Cool 1989; Penrose, 1959; Steen and Liesch, 2007; Vahlne and Johanson, 2013; Autio, 2005) which together with the underlying values and beliefs of the senior managers that were fostered through previous internationalisation experiences and embedded in the firm's general internationalisation knowledge, together create a 'history dependence' in firms' learning processes (Johanson and Vahlne, 2013; Autio et al., 2000). This combination restrained the firm's ability to rapidly

assimilate, transform and exploit grafted experience-based knowledge from a culturally-distant host context to develop new capabilities that are capable to address the knowledge gap (Vahlne and Johanson, 2013:202). Thereby the thesis sharpens our understanding of how new experiential knowledge from a culturally-distant context that can be indirectly acquired via grafting may not be easily interpreted and understood to be recognised as valuable and, therefore, may also not be absorbed quickly into the minds of the individuals and firm (internationalisation) knowledge base as embedded in its routines and structures as well as in the firm's capabilities via its resource commitments (Vahlne and Johanson, 2017:1095). In accordance with Johanson and Vahlne, (2009) and Eriksson et al., (2000) the internally acquired previous internationalisation experiences and respective internationalisation knowledge, had impeded the firm's future absorptive capacity and therefore the speed of learning as the driver internationalisation (Autio et al., 2000; Autio, 2005; Sapienza et al., 2006). This contributes to a more refined theoretical understanding of how and why cultural cognitive elements on the individual level and their perception of the liabilities of foreignness is important to explain how and why these different cultural cognitive models interact in the contextual multi-layered cross-cultural learning process, as proposed by the liabilities of foreignness and psychic distance concepts, revealing that it is not suffice to explain the impact of indirectly acquire experience-based knowledge but to be able to effectively absorb new experiential knowledge that is driving the strategic decision-making process and shapes the internationalisation process in the MBEs over time (Maitland and Sammartino, 2015).

Thirdly, as shown in arrow (E), despite the different perception of how to address issues experienced, the grafted manager was eventually able to apply his experience-based know-how to propose and implement an alternative solution for the time being. As outlined above, the alternative was only accepted after the senior managers had recognised their lack of flexibility and inability to address the experienced lack of foreign currency which led them to decide to freeze the implementation of their preferred outcome. This illustrates that the direct experiential-learning process is critical to challenge pre-existing routines and previously acquired values and beliefs embedded in the internationalisation logic to recognise knowledge deficits in light of the inherent uncertainty and hidden differences. The grafted manager was finally able to codify and explicate his market-specific and general experience-based knowledge into objective information and knowledge to reduce the knowledge gap and associated perceived uncertainty to convince the senior managers about

how and why the alternative solution was required to mitigate the increasingly tough market conditions and mounting market pressure. As shown in the findings chapter, the grafted manager had sent out an extensive e-mail, including several attachments, about an assessment evaluation and implementation plan, to explain how and why this step was critical to maintain market performance, after the company had decided to freeze the project.

In concordance with conceptual work (Petersen et al., 2003; Eriksson et al., 2000), this empirical study illustrates that although tacit experiential market-specific knowledge and experience-based know-how may be codifiable into explicit experience-based knowledge to an extent at least, it is more important that the experiential knowledge be compatible with the previously-acquired internationalisation knowledge and the underlying interpersonal cognitive cultural elements of the individuals concerned, if it is to be effectively assimilated, transformed and exploited within the firm's internationalisation processes. The alternative solution proved eventually to be compatible with the underlying beliefs and assumptions and previously acquired internationalisation knowledge of the senior managers that such alternative approach of relying on external distributors may be necessary if the firm is not able to address the market conditions on its own. The alternative solution, after the direct experiential learning process lead to the decision to postpone the preferred outcome resonated with the key decision-makers' now extant, experience-based (internationalisation) knowledge including the beliefs and assumptions based on their modified perceived knowledge gap as a result of the direct experiential learning process of having tried to address the knowledge gap on their own had not been successful to cope with it.

Nonetheless, as illustrated in the findings section, the senior managers had officially approved the foreign direct investment to establish a wholly owned subsidiary coupled on the condition to find a solution to the lack of foreign currency to avoid financial risks, which illustrated their strong beliefs in their ability to address the knowledge gap to achieve higher profits with a lower-risk approach. Simultaneously they had decided to freeze and re-evaluate the prospect of investing further into the host market again in the near future, driven by the assumption that the lack of foreign currency would ease in the near future. Thereby, the findings revealed that neither the experiential market-specific knowledge about the current market conditions nor the experience-based knowledge of how to address these conditions was absorbed by the senior managers, but instead was employed by the grafted

manager to translate the demands to penetrate the market in a compromising manner that was compatible with the senior managers' personally-acquired, experience-based knowledge (to employ an external distributor if they firm was not able or willing to address the lack of foreign currency as they had done in Iran), which had been embedded in firm-specific internationalisation knowledge. As such grafting did eventually reduce the psychic distance and enabled the firm to address the different market conditions with success.

The grafted experiential knowledge was, however, not genuinely absorbed, and therefore did not lead to a full accumulation of experiential knowledge at the firm level. The result of that was the continuing unwillingness to invest further in the host market. Therefore, according to the Uppsala internationalisation process model, the indirect learning did reduce the perceived distance and uncertainty, but did not result in increased commitment and, according to current understanding of the core mechanism - "the interplay between learning and commitment process" - there was not enough time to learn from the experience and the grafting it did not enable the firm to close the knowledge gap in an expedited manner to accelerate its internationalisation process (Welch et al., 2016:789). In concordance with Steen and Liesch (2007) and Johanson and Vahlne (1990), and Andersen (1993) the Uppsala internationalisation process model is ambiguous arguably tautological about the (learning) mechanism (commitment leading to more knowledge) which enable the firms to reduce the perceived distance to realise expansion opportunities along the internationalisation process in an ever changing world.

Nonetheless, the compromise, late intervention meant grafting did enable the firm to address sales performance and the knowledge gap more effectively than if the grafted manager had had no input: his experience-based knowledge was codified to convince the senior managers to adopt the alternative solution as an ad-hoc solution. The extent to which the grafting of the manager benefited the firm is debatable, since the newly-grafted, experience-based knowledge cannot be said to have been genuinely absorbed in the minds of the senior managers and did not change the firm's extant (internationalisation) knowledge base as embedded in the routines and structures.

6.4 Unpacking the Black Box: Discussion of Indirect Learning as a means to close the knowledge gap in an expedited manner in Internationalisation

This aforementioned process understanding revealed how and why pre-existing market-specific experiential knowledge and even general experience-based knowledge cannot be easily transferred at the individual level. This sensitises theoretical understanding of how and why grafting might - or might not - indirectly expedite the acquisition of salient experiential knowledge to close knowledge gaps and thereby accelerate the internationalisation processes of MBEs. In contrast to extant internationalisation research, which suggests that firms can take shortcuts to indirectly acquire experiential knowledge by hiring individuals with relevant experience and experiential knowledge (Akerman, 2015; Barkema and Vermeulen, 1998; Oviatt and McDougall, 1994; Blomstermo et al., 2004; Huber, 1991; Forsgren, 2002; Fletcher and Harris, 2011; Autio et al., 2000), this study revealed that the grafting practice did not allow senior managers to recognise or overcome the knowledge gap in an expedited manner due to the underlying cultural differences. As consequence, 'grafting' an individual manager with the relevant experiences and respective experience-based knowledge, acquired in previous occupations and experiences, may not be absorbed quickly at firm level, and, therefore, may not suffice to address the knowledge gap between the firms current knowledge base and the one that is required to operate successfully in the host context in an expedited manner (Petersen et al., 2008).

The novel theoretical understanding contributes to the ongoing debate of what type of learning process and what type of experiential knowledge are critical to the evolution of the internationalisation process of MBEs, bearing in mind the increasingly rich and interconnected information and knowledge available in the international business context (Welch et al., 2016; Coviello et al., 2017). The revelatory processual insights enable the author to contribute to explaining the contrasting views in the international business literature between, on one side, the 'Uppsala logic', which argues that direct experiential-learning to acquire market-specific experiential knowledge is the most important knowledge source for a firm's ability to internationalise (De Clercq et al., 2012; Johanson and Vahlne 1977; Johanson and Vahlne, 2009; Petersen et al., 2003; Welch et al., 2016; Eriksson et al., 1997; Vahlne and Johanson, 2017; Brennan and Garvey, 2009), and on the other side, counter-point research (Hutzschenreuter and Matt, 2017; Hutzschenreuter et al., 2016b; Huber, 1991; Forsgren, 2002) as well as 'new venture' and 'born global' research which

suggest that general experience-based (internationalisation) knowledge can be acquired expeditiously from indirect means such as grafting or by transferring experience-based knowledge, e.g. firm-specific internationalisation knowledge, in order for firms to expand more rapidly (Andersen, 1993; Knight and Cavusgil, 2004; Eriksson et al., 1997; Oviatt and McDougall, 1994; McDougall and Oviatt, 2000; Barkema and Vermuelen, 1988; Fletcher and Harris, 2011).

The Uppsala internationalisation model draws on Penrose (1959) to explain the differences between experiential and objective knowledge, suggesting that experiential knowledge can be primarily gained through personal experiences of managers in the foreign market, but it admits that firms can also indirectly acquire general experience-based knowledge by drawing on the learning experiences of others, such as by imitating competitors, through network partners or acquiring market-specific knowledge by 'grafting', or acquiring, firms and individuals (Steen and Liesch, 2007; Johanson and Vahlne, 2009). These indirect-learning processes are argued to partly supplement the direct experiential learning process to acquire market knowledge and general internationalisation knowledge to be able to accelerate the internationalisation process of new firms and business units driven by the increasing global competition and technological developments that force also larger firms to internationalise faster, and therefore the incremental internationalisation process is no longer valid (Johanson and Vahlne, 2003:83; Forsgren, 2002; Johanson and Vahlne, 2009; Fletcher and Harris, 2011).

Nevertheless, the revised Uppsala model strongly asserts that the direct experiential-learning process through repeated practices is the critical type of learning process until the experiential and experience-based knowledge is absorbed into the minds of the individuals, as well as the firm's routines and structures overall, through the resource commitment process; and thus the internationalisation process from scratch is an incremental, time-consuming and 'history-dependent' process (Eriksson et al., 1997; Vahlne and Johanson, 2017; Martin and Eisenhardt, 2000, cited in Johanson and Vahlne, 2017:1095). Yet the revised Uppsala model has black boxed the 'mille micro' individual level based on the epistemological assumption in extant internationalisation process research that individuals and the group-level have a lower power compared to firm-level constructs to explain firm-level behaviour, as a justification to not explicitly explore and analyse the individual 'micro mille' level in extant mainstream international business (Vahlne and Johanson, 2017; Felin and Hesterly,

2007). As a result, the complex process of organisational learning process to acquire experiential knowledge (to address cultural barriers e.g Barkema et al., 1996) is usually discussed in broad terms and tends to be inferred based on the outcomes rather than examine the actual learning on the individual level in practice (Lord and Ranft, 2000; Hutzscheneuter et al., 2014).

In spite of the absence of a processual understanding of whether experiential knowledge can be transferred on the individual level, current research relies on the theoretical assumption that experiential knowledge that is acquired by individuals operating in foreign markets can be codified and stored in firms routines and, ergo, is available to all managers within the firm e.g. Makino and Delios (1996) (cited in Lord and Raft, 2000; Petersen et al., 2003). For instance, Hutzschenreuter and Matt, (2017:1139) also draw on Penrose (1959), but in contrast to the Uppsala model they argue that whilst experiential knowledge is more difficult to transfer because of the intertwined nature of knowledge and the individual, the experiences that enable an individual to learn and thereby create knowledge may not be transferable, but the acquired knowledge “may be indeed transferable” (Hutzschenreuter et al., 2016b; Huber, 1991; Kogut and Zander, 1992, 1993). This stream suggests that knowledge transfer process to learn from the experience of others may speed up the learning process.

However, in accordance with Foss (1999) who pointed out that Penrose (1959) suggested that the environment of the firm is ontologically subjective and thus requires sense-making (cited in Steen and Liesch, 2007:197), this research demonstrated how and why experience based knowledge may not be easily transferred as it requires interpretation to be understood in connection to the external environment in order to be recognised as valuable and to be absorbed effectively. As illustrated, research has not explored whether it is actually possible to transfer experiential (tacit or explicit market-specific) knowledge or general (experience-based) knowledge on the individual level, which would assist explaining whether it is possible to absorb the previously-acquired experience-based knowledge of others, as an indirect learning process within the internationalisation process model (Vahlne and Johanson, 2017; Coviello et al., 2017). Most studies rely on quantitative methods to infer firm’s ability to be able to transfer experience-based knowledge internally; these are based on forms of hypothesis-testing that use improved internationalisation performance outcomes to infer their ability to effectively transfer experience-based knowledge of how to address different market contexts; they conceptualise the internationalisation process as an innovation

process e.g. Andersen (1993) to measure the diversity and depth in a firm's internationalisation processes as positive indicators (e.g. Petersen and Pedersen, 1999; Prasantham and Young, 2011; Casillas and Moreno-Menendez, 2014; Nadalska and Barkema, 2007; Barkema and Drogendijk, 2007). As a result, these complex organisational learning processes are often measured using single proxies treating firms as homogenous entity that learn about foreign markets measured based on the elapsed time or resource spend in the foreign context e.g. Barkema et al., (1997) (cited in Lord and Raft, 2000:574).

These studies do not sufficiently explain how and why experience-based (internationalisation) knowledge and pre-existing routines restrain managers sense-making, and thereby the firms' ability to understand and integrate new experience-based knowledge; instead, they assume that the underlying causes of firms' successful expansion into diverse markets are the more experiences they acquire and the more their respective knowledge-base (absorptive capacity) is expanded, the higher the firm's propensity to acquire and absorb new knowledge over time (De Clercq et al., 2012; Autio, 2005). Others suggest that internationalising into very distant countries enables firms to acquire internationalisation knowledge quicker, by having less rigid learning routines (learning advantage of newness) making them, therefore, more flexible to learn how to address different knowledge gaps (Autio et al., 2000). As a consequence, there is a "paradox of the role of pre-existing knowledge" regarding firms' ability to learn how to internationalise as pointed out by De Clercq et al. (2012:163), between the competing logics of the Uppsala model of Johanson and Vahlne (1977) and the theory of international new ventures developed by Oviatt and McDougall (1998).

These studies, however, seem to neglect the importance of the fundamental uncertainty and subjective character of the external environments and need to not only about markets, but also to learn about the firms current capabilities to expand further into foreign markets (Foss, 1999, cited in Steen and Liesch, 2007:197) within the international business context; since the future cannot be known, referred to as 'partial ignorance' - of not knowing what they do not know - in which the actual decision-makers have to operate (Ansoff, 1965, cited in Johanson and Vahlne, 2017:1091). Accordingly, when seeking to expand abroad, managers face the liabilities of foreignness based on the explicit and implicit contextual differences between the home and host context, which are difficult to learn about due to their hidden and implicit nature (Vahlne and Johanson, 2017; Petersen et al., 2008). In order to overcome

the liabilities, the managers have to interpret and understand information and knowledge that may be useful. But due to the ambiguity of the contextual experience-based knowledge and the hidden cultural differences between markets, the individuals within the firm need to carry out a direct experiential learning process to act and see what happens in order to acquire that context-specific knowledge and the ability to interpret the external market and potentially useful knowledge available within the firm accordingly since the perception shapes the external environment more than the environment shapes the interpretation (Weick, 1979 cited in Vahlne and Johanson, 2017:1091). As such the firm has been argued to require its managers to learn directly by trial and error to learn how to make sense about the hidden differences to recognise the knowledge gap between the current knowledge base and the one required to internationalise successfully (Petersen et al., 2008).

The thesis shows how and why the fundamental uncertainty and associated ambiguity of knowledge was amplified by the interpersonal cultural differences, which resulted in different interpretations of the events and potentially useful knowledge being created. The most important differences between the two discussed internationalisation models lie in their respective assumptions about the role and influence of individual managers' experiences prior to the internationalisation process (Sapienza et al., 2006; De Clercq et al., 2012). As with the Uppsala internationalisation process model, these findings revealed that the lack of organisational experiential knowledge about foreign markets is the critical hurdle to expansion abroad; this lack of firm-specific internationalisation knowledge, in contrast to the view of international 'new ventures' research (De Clercq et al., 2012), was not substitutable through the grafted experiential market and experience-based knowledge.

The interpersonal cultural differences prevented the managers assimilating the experience-based knowledge from a culturally distant context, which then prevented the senior manager from quickly understanding how and why their 'dominant logic' and entry-mode knowledge was not applicable in the new context (Nadalska and Barkema, 2007). The senior managers, however, lacked the cross-cultural knowledge and suffered from superstitious learning to overcome the liabilities of foreignness and their partial ignorance due to the inherent uncertainty not knowing what they don't know. In other words, the senior managers did not recognise the ideas of the grafted manager as potentially useful to their own ends in that particular context, since it was contrasting their own values and beliefs of how to expand and thus did not decide to pursue them. This unawareness about the hidden differences as the

underlying reason for the experienced difficulties persisted due to the intrinsic strive to be in consistency with the own values and beliefs and to act in accordance with them, so that the seniors only started to recognise their lack of knowledge as they underlying issue once they had actually experienced the difficulties of internationalising due to a lack of knowledge to overcome their misperceptions. Hence, in concordance with the Uppsala model the experiential-learning process of the firm began, when the firm had tried to increase its commitment to the market but run into difficulties to explain why the learning process of the firm as a whole (including the decision-makers) is time-consuming and cannot be substituted by hiring knowledgeable individuals (Johanson and Vahlne, 2009).

This study, therefore, enhances theoretical understanding of how and why interpersonal cultural differences within the firm may amplify the 'partial ignorance' of useful but ambiguous knowledge. In contrast to the international 'new venture theory', which suggests that individual experiences and knowledge can substitute for lack of organisational experiences, routines and capabilities (Sapienza et al., 2006; De Clercq et al., 2012), the firms was not able to quickly absorb culturally distant new knowledge (experiential knowledge of foreign markets including institutional knowledge such as norms and general experiential knowledge of how to face foreign competition and deal with new market conditions) to amend and transform its existing routines and practices due to the cultural impediments to overcome their history-dependent rigidities (Autio et al., 2005).

This insights were also in contrast to counter-point research (Hutzschenreuter and Matt, 2017), despite the established internationalisation knowledge and routines from other business units (as the firm's absorptive capacity), the firm was neither able to indirect learn how to address the knowledge gap nor to effectively absorb this critical grafted knowledge to learn and expand faster into the culturally unfamiliar market. In accordance with Eriksson et al., (1997) and Cohen and Levinthal, (1990) learning about new markets requires intense and repeated experiences to be able to assimilate the new knowledge, and thus the difference between the extant knowledge base and required new knowledge impeded the ability to learn quickly creating a history-dependence which impedes radical changes in firm learning and internationalisation process (Johanson and Vahlne, 2013). Together with the insights derived from cognitive dissonance, this new perspective enables this study to provide a more nuanced theoretical understanding of how the direct experiential-learning process may not be supplemented by the grafting of an individual manager. The direct

experiential-learning process was critical to incrementally alter the values and beliefs that guide the interpretation of the social world around the managers, aiding their ability to recognise their knowledge gap and learn how to solve it with the knowledge that is required to operate successfully in the new context. This thesis, hence, empirically illustrates in concordance with extant research that even when changing the parameters from firm level to managerial level, there is no evidence that learning and internationalisation into culturally distant host contexts can be done quickly even, if the grafted manager possesses the relevant experiential knowledge from previous occupations (Vahlne and Johanson, 2017; Johanson and Vahlne, 2009).

This study has applied the liability of foreignness concept, including cultural and psychic distance, and the absorptive capacity concept on an individual level. Addressing the calls from Steen and Liesch (2007:203) and Welch et al., (2016) to take advantage of the methodological developments to employ a qualitative methodological approach based upon close observations and avoidance of a prior assumptions associated with deductive and positivist notions to explain how the agency (i.e. the actors) of managerial discretion and the structures (i.e the 'history dependence') interact to sharpen the understanding of how learning is conditioned by either one, as the driving mechanism for the firm's internationalisation process. This approach enabled this study to combine theoretical insights to refine theoretical understanding of how and why interpersonal cultural differences affect the individual's perception of potentially valuable knowledge, to be more or less able to absorb it over time. This study illustrates how past knowledge and the cultural attributes of key decision-makers influenced their ability to assimilate useful, explicit experience-based knowledge for the firm's own needs, i.e. the absorptive capacity of the firm. Specifically, the study revealed that the extant experiential knowledge and underlying cultural attributes had a strong impact on managers' ability to recognise new general experience-based knowledge as useful, and also shaped the 'dominant logic' and the firm's direction of future learning, i.e. the search for potential solutions to address the knowledge gap. Therefore, the study revealed how the managerial discretion of the key decision-makers, based on their previously acquired experiential-knowledge and underlying cultural attributes in terms of values, beliefs and attitudes, limited their ability to effectively assimilate grafted experiential knowledge acquired in a culturally-distant context into their belief systems and

ultimately into the firm's knowledge base as embedded in its capabilities and routines (Orr and Scott, 2008; Neisser, 1976, cited in Eriksson et al., 2000).

This study, hence, contributes to a more refined theoretical understanding of why the cultural cognitive elements on the individual level, and the discretion of the key decision-makers, are important elements to be unpacked, in order to understand how and why these different cultural cognitive models interact in the multi-layered contextual learning process (Maitland and Sammartino, 2015). These are needed, as proposed by psychic distance and liability of foreignness, for theoretical understanding of the impact of the cultural cognitive differences on firm's assimilation of grafted experiential-knowledge acquired in a culturally-distant context (Eriksson et al., 2000). The study, therefore, provides a more nuanced theoretical understanding of how and why experiential knowledge grafted from a culturally-distant country may be difficult to absorb in MBEs where individual decision-makers are inexperienced of how to deal with these conditions and, therefore, may not significantly influence the extant routines and structure which guides the history dependent evolution of the internationalisation process (Vahlne and Johanson, 2017).

All in all, this Ph.D. has illustrated that the firm's ability to indirectly acquire experiential knowledge is affected by interpersonal cultural differences between managers that limit the absorptive capacity of the firm, which provides a more nuanced theoretical understanding of how and why MBEs that have been acquiring experiential knowledge and developing experiential internationalisation knowledge internally, may not be able to rapidly absorb valuable knowledge grafted from the culturally-distant context, as the 'born global' literature has suggested (Brennan and Garvey, 2009; Barkema and Vermeulen, 1998, Autio et al., 2000; Reuber and Fischer, 1997; Oviatt and McDougall, 1994; Huber, 1991; Forsgren, 2002). This insight contributes to the debate on whether grafting individuals may allow firms to acquire relevant experiential-knowledge for their internationalisation process, and provides a novel explanation of how and why grafting of single individuals may benefit the acquisition of experiential-knowledge in smaller new ventures which tend to be born regionally rather than globally (Johanson and Vahlne, 2009; Verbeke and Rugman, 2007); but in concordance with extant research (Petersen et al., 2003), in larger MBEs where decision-making structures and procedures are not as flat and empowering as in a newly created venture where the entrepreneur tends to learn and be the decision-maker, the multi-layered and multi-cultural nature of the MBE decision-making process may mean that experiential knowledge acquired

on the front line or by grafting may not be transferred and absorbed by the key decision-making managers. In particular, having unpacked the individual level, the thesis contributes to a theoretical process understanding that illustrates how and why firms may not be able to rapidly assimilate, transform and leverage grafted experiential knowledge. This study, hence, provides a nuanced theoretical explanation of how and why grafting of individual managers with relevant pre-existing experiential knowledge may not necessarily allow firms to internationalise faster into a new, culturally unfamiliar contexts (Barkema and Dorgendijk, 2007).

Additionally, the processual account and insights are consistent with recent calls to scrutinise the lower, individual level of firms to refine the process explanation of collective firm-level internationalisation processes (Coviello et al., 2017; Welch and Paavilainen-Mäntymäki, 2014; Welch et al., 2016; Maitland and Sammartino, 2015). In contrast to extant internationalisation and knowledge-based business research, which prioritise the firm-level unit of analysis, assuming epistemologically that individual-level variations and heterogeneity impacts are aggregated at the firm level, meaning the firm level provides greater explanatory power, this study shows that applying the liability of foreignness including the psychic and cultural distance as well as absorptive capacity on an individual level allows refinement of theoretical understanding of how and why interpersonal cultural differences within the MBE affect its ability to acquire experiential-knowledge by incorporating a knowledgeable manager. This methodological approach is appropriate to enhance the theoretical process understanding of how and why culture affects the social-learning processes on an individual level, reconnecting the model to the people within the internationalisation process in order to sharpen theoretical understanding of firm-level constructs and assumptions in the Uppsala internationalisation process model (Felin and Hesterly, 2007; Coviello et al., 2017; Welch and Paavilainen-Mäntymäki, 2014; Welch et al., 2011; Welch et al., 2016).

6.5 Summary

This chapter has presented the process diagram of how and why interpersonal cultural differences restrained a firm's ability to absorb grafted experiential knowledge for the purpose of closing its knowledge gap to a culturally distant context in an expedited manner,

to understand how it impacted the evolution of its internationalisation process. Three theoretical insights were emerged from this:

Firstly, the process diagram captures the process-based explanation of how and why interpersonal cultural differences limited the firm's capacity to absorb the experiential knowledge, suggesting that the grafted experiential-knowledge was not absorbed in the minds of the individual managers at the headquarters. The thesis combines and unpacks the absorptive capacity concept and liability of foreignness to suggest that this experience-based knowledge is not easily transferrable between individuals and ultimately organisations, due to the interpersonal cultural differences within the firm. By doing so the thesis has not only revealed that experiential market-specific and general experience-based knowledge were being embedded in the personal knowledge and cultural attributes of managers, but how and why the revealed interpersonal cultural differences between the managers limited their ability to understand valuable knowledge. As such the findings reveal why managerial discretion is a pervasive element in firms' acquisition and absorption of knowledge in their internationalisation (Petersen et al., 2003; Maitland and Sammartino, 2015).

Secondly, the study contributes to the debate on which learning process and what type of experience-based knowledge and learning processes are most critical to understand the internationalisation process of firms. In concordance with extant research the direct experiential learning process seems to have been the critical driving force of the internationalisation process of this firm. Since the experiential knowledge was not transferrable between the individual managers, the direct experiential-learning process of 'learning by doing' and performance repercussions were most critical for the senior managers to arrive at a unified perception of the challenges they faced.

Thirdly, the direct experiential-learning process was required to breakthrough the managers' intrinsic motivation to ignore information that contrasted with their own values and beliefs, as well as through their 'partial ignorance' due to the inherent ambiguity and uncertainty of the information gathering and interpretation process. In combination with the history-dependence of the firm's learning process, this had impeded their ability to recognise the knowledge gap, and the knowledge distance had impeded the firm's ability to assimilate and transform its knowledge base to address the knowledge gap. The process account reveals how and why grafting experiential knowledge may not suffice to address the liabilities of

foreignness and associated 'knowledge gap' between the home and host context, and sensitises a contextual understanding and awareness of how and why experienced-based knowledge may or may not be absorbed within the minds of the key decision-makers and ultimately within those key routines and structures within a firm that guide its capabilities development and reconfiguration via a resource-commitment process (Vahlne and Johanson, 2017:1091).

7 Conclusion

7.1 Introduction

The following section will summarise the abductively emerged theoretical process understanding developed in this study, and the theoretical contributions and managerial recommendations. Specifically, this chapter will outline the sensitised process account which allowed the study to challenge extant constructs and assumptions regarding the transferability of experiential knowledge, and to subsequently sharpen our understanding of relationships between the dominant theoretical concepts employed to explain the underlying learning processes that drive firms' internationalisation process. Thereby the thesis contributes to our theoretical understanding of the internationalisation process and wider international business literature.

The conclusion will be structured into four parts. Firstly, the methodological approach that enabled the author to arrive at the refined theoretical understanding and respective theoretical contributions are presented. The study has applied the liability of foreignness concept and the absorptive capacity concept on an individual level in the international business literature, and it provides a refined processual understanding of how grafting affected the firm's ability to close the knowledge gap to an culturally distant market in an expedited manner, which sensitises theoretical understanding of the indirect leaning processes driving the internationalisation process, will be presented as a significant contribution to the internationalisation process research. Secondly, it discusses the author's reflective methodological insights into how to create a 'sensitised' process-based understanding from a single case study in light of current international business research methods. Thirdly, insights relevant for the managerial practice are outlined, along with practical recommendations of how to address cultural challenges in transferring experiential knowledge. Finally, the limitations of the study findings and some areas for future research opportunities that originated from the research findings are presented.

7.2 Theoretical Contributions

This thesis has explored how and why the alternative learning process of grafting can serve as an expedited means to acquire experiential knowledge to close the knowledge gap to an culturally distant context, and thereby to accelerate the internationalisation processes of larger MBEs. In order to do so, the study has applied qualitative abductive process research to a single revelatory case study in order to create a process-based explanation of how and why cultural differences within the firm affect its ability to indirectly acquire experiential knowledge. The qualitative ethnographic research approach allowed the author to capture the narratives and actions of the insiders - i.e. the managers - within the learning processes in the sequence of events without significant theoretical pre-conceptions. By studying the events and insider perspectives within the natural research context through ethnographic methods, the abductive approach enabled this study to create a nuanced contextual understanding of how the actual behaviour of the individuals was shaped by their cultural perspectives (Lupton, 1963:29, cited in Sharpe, 2004:308). This methodological approach contributes to a process-understanding that links the micro, individual level to macro-level analysis of firms, to unpack how and why cultural differences on an individual level impact the ability to absorb the grafted experiential knowledge at the firm level, and to theorise the impact on the internationalisation process (Sharpe, 2004).

This abductive methodological approach enabled the study to apply the liabilities of foreignness concept, including cultural and psychic distance concepts on an individual level. This enabled the study to contrast and problematise extant theoretical understanding regarding the transferability of experiential knowledge as proposed by these underlying constructs and assumptions within the internationalisation process model. Combining the revealed findings with the insights into absorptive capacity and psychological insights into cognitive dissonance allowed the author to sharpen our theoretical understanding of how and why the revealed interpersonal cultural differences within the firm restrained its ability to effectively absorb experiential knowledge from a culturally-distant host context. This refined theoretical understanding facilitated development of a process understanding and explanation of how grafted experiential knowledge may neither be easily nor quickly absorbed within large MBEs, and that grafting may not therefore accelerate their internationalisation process. The specific theoretical contributions that were made from this study will be discussed below.

7.2.1 Unpacking Liability of Foreignness and Absorptive Capacity

First of all, the thesis advances theoretical understanding of how and why revealed cultural factors on an individual level affect the ability to transfer experiential knowledge between managers and ultimately the ability to absorb it within the firm's extant knowledge base. Extant mainstream research tends to reduce cultural differences to the cultural distance between two contexts at the firm or national level, asserting pejoratively that these differences increase the cost and risks for foreign firms of doing business (Mezias et al., 2002; Caprar et al., 2015; Stahl et al., 2016); in contrast, this study reveals how culture affected behaviour and interpretation as revealed by the actors' narratives and actions in the natural research context. Having systematically combined the theoretical insights into the liability of foreignness and knowledge-based view of the firm on tacit knowledge with the case study findings, this study illustrates that tacit knowledge is embedded and interlinked to cultural attributes of the individual managers and thus is difficult to transfer between managers with different cultural backgrounds. Therefore, the study sharpens theoretical understanding of how and why implicit experiential knowledge is not only difficult to acquire, as currently suggested by the liabilities of foreignness concept, but also illuminates how experience-based knowledge is embedded and interlinked with individuals' cultural attributes, and is therefore difficult to transfer between managers with different cultural backgrounds.

The study was then able to abductively sensitise awareness of the theoretical causal connection and generative mechanism of how these revealed cultural factors crucially impaired the managers' perceptions and decision-making during the internationalisation process. The ethnographic methods allowed the study to illustrate how and why the interpersonal cultural differences between individuals, in addition to the different levels of experiential knowledge, affected their beliefs and logics as they faced their perceived knowledge gap regarding the foreign market. By doing so the study explained how and why the cultural and psychic distance between the managers and the host context most affected their perception of the liabilities, rather than the psychic distance between home and host context at national level, as was suggested by Vahlne and Johanson (2017), and Johanson and Vahlne (2009). The study, therefore, has revealed how and why the cultural differences within the firm affect the ability to absorb experiential market-specific knowledge and experience-based knowledge into the multi-cultural experiential learning process within MBEs to recognise and be able to address the perceived knowledge gap in the continuous

decision-making process during internationalisation (Vahlne and Johanson, 2017; Johanson and Vahlne, 2009; Maitland and Sammartino, 2015).

Secondly, combining the revealed insights into the role of interpersonal cultural differences with the insights into the absorptive capacity concept enabled the author to illustrate how and why these differences and different levels of experiential market-specific and experience-based (cross-cultural) knowledge between the managers limited their ability to recognise the grafted experiential knowledge as a pre-requisite to be able to assimilate and absorb new experience-based knowledge and ideas into the firm's routines and structures (Johanson and Vahlne, 2006:173; Vahlne and Johanson, 2017).

Thirdly, by drawing on the psychological insights of cognitive dissonance, the study has extended this insight by explaining that the interpersonal cultural differences between the senior managers and the grafted manager were also exacerbated by their intrinsic inclination to ignore new information and knowledge that was contrasting their own values and beliefs in order to avoid psychological distress. Most importantly, the study has revealed that this ignorance of potentially useful knowledge may persist over time due to individuals' intrinsic drive to be consistent with their own personal values and beliefs and to act in accordance to these, creating blindness to potentially valuable experiential-knowledge which could help to address the knowledge gap in an expedited manner. The thesis has revealed that the grafted implicit experiential market-specific-knowledge and general experience-based knowledge was interlinked with the underlying values and beliefs of the grafted manager. Whilst valuable to address the knowledge gap, these values and beliefs were in sharp contrast to the senior managers' values and beliefs, so that these key decision managers were intrinsically inclined to sustain and ignore new, potentially useful knowledge due to that knowledge being either implicitly or explicitly against the key decision-makers' own personal values and beliefs.

This intrinsic inclination also impeded them from recognising the scope of their knowledge gap since they were inclined to maintain their ex-ante perception and belief of being capable to address the host context instead of challenging the underlying cognitions so that they attributed the challenges to the external market conditions to avoid the contradictory information challenging their own values and beliefs based on as well as to act in accordance to the extant values and beliefs (Festinger, 1962). This intrinsic inclination to avoid new

knowledge that contradicts own values and beliefs, therefore, impeded them from recognising the scope of their knowledge gap as well as to recognise the value of grafted experiential knowledge which could have enabled them to recognise and address their knowledge gap in an expedited manner.

This intrinsic, culturally-driven ignorance of potentially valuable knowledge provides a novel explanation of how and why grafted experiential-knowledge may not be quickly absorbed in the minds of individual managers and therefore may not become integrated into firms' extant internationalisation knowledge base, that is, embedded in their routines and structures over time (Eriksson et al., 1997; 2000). By drawing on these psychological insights, this thesis contributes to the theoretical development of a new understanding illustrating how and why interpersonal cultural differences within a firm may limit its absorptive capacity for indirect learning processes to acquire new experiential knowledge that is salient to address new cultural contexts. Hence, the thesis illustrates that even when changing the parameters to the individual managers instead of the firm level, previously-acquired knowledge of foreign markets and internationalisation knowledge of individual managers may not have a significant impact to speed up larger firms' internationalisation processes into culturally distant markets (Johanson and Vahlne, 2009:1420).

7.2.2 A Process Understanding of Barriers to Absorption when Grafting Experiential Internationalisation Knowledge

This sharpened theoretical understanding of how and why interpersonal cultural differences may limit firms' absorptive capacity and therefore restrain their ability to indirectly acquire salient experiential knowledge via grafting, in turn enabled the author to contribute to the development of a sensitised process understanding of how the indirect learning process of grafting affects the internationalisation process of larger MBEs.

Taking into account the cultural impediments in transferring experiential knowledge, the thesis shows that the direct experiential-learning process was the most important on the individual level for acquisition of experiential market-specific knowledge throughout the expansion process; this is important in order to be able to learn through performance feedback how to interpret information and knowledge from within the firm and from the market, enabling managers to recognise the knowledge gap and potential knowledge sources

and initiate appropriate learning processes (Weick, 1979, cited in Vahlne and Johanson, 2017:1091). This implicit knowledge, however, is time-consuming to acquire and not easily transferable between the managers, as it needs to be assimilated and embedded in their individual cultural attributes and personal knowledge, which may require one to alter pre-existing values and beliefs to be willing to accept new practices.

Given the intrinsic drive of individuals to be in consistency with the current values and beliefs and to act in accordance to them, the thesis was able to explain why the learning process and adjustment of the managers' cognitions is gradual and history-dependent, culturally and cognitively. The thesis therefore contributes to understanding unanswered questions in international business regarding unpacking the multi-cultural and multi-layered learning and decision-making process within MBEs' internationalisation processes: who decides, and on what basis; what knowledge gaps exist, and how to close them? (Maitland and Sammartino, 2015:754). The thesis, hence, addresses the incomplete understanding of how managerial discretion shapes the history-dependent absorptive capacity, based on their cultural cognitive scope - referred to as home-grown 'mental maps' or 'dominant logics' - which together affect whether potentially valuable experience-based knowledge can be absorbed quickly into the extant knowledge pool; and how the internationalisation process will be carried out (Eriksson et al., 2000:309; Johanson and Vahlne, 2009; Petersen et al., 2003; 2008:1001; Forsgren, 2016).

This processual understanding of how the managers' cultural attributes shape their perception and logics for actions refines our theoretical understanding of how and why the history-dependent learning process is shaped by the underlying values and beliefs of the key decision-making managers, as the agents of the firm's learning and decision-making processes (Coviello et al., 2017; Brennan, 2004). Having combined the dominant theoretical insights, namely: liabilities of foreignness concept, absorptive capacity concept, and the cognitive dissonance concept provides a more nuanced theoretical understanding of how to examine the impact of culture on an individual level then affects managers' ability to transfer and absorb experiential knowledge in order to overcome the knowledge gap and the 'partial ignorance' - of not knowing what they do not know - to absorb potential valuable experiential knowledge that might be contrasting to the extant knowledge base and accumulated experiences. This prevents the key decision-making managers to absorb the explicit or implicit contrasting experiential knowledge in order to be capable of deciding to commit

resources rapidly to accelerate their internationalisation process (Autio et al., 2005). The study, therefore, demonstrates why an experiential-learning process of the firm is a history-dependent cumulative process where previous acquired values, beliefs and assumptions guiding the sense-making and learning along internationalisation processes and outcomes shape future sense-making, learning and decision-making, shaping the evolution of the internationalisation process; and because of this, in spite of indirect learning opportunities, firms cannot overcome their liability of foreignness and partial ignorance rapidly (Eriksson et al., 2000).

This combination of theoretical concepts and refined relationships between those theoretical concepts explains how and why the interpersonal cultural differences limit firms' absorptive capacity, in line with the psychological insights embedded in the behavioural assumptions about firms' learning processes (e.g. Cyert and March, 1962). We have, therefore, a more refined understanding of how grafting can provide access to experience-based internationalisation knowledge, but also how ultimately its availability is in itself not enough to make firms expand faster. As we have seen, this knowledge needs to be seen as valuable and understood to be absorbed in the minds of senior managers and embedded in the firm level routines and structures that guide the resource commitment and capability development to be applied of the firm's own ends. Therefore, the experiential learning of the firm cannot be done substantially faster even though firms can indirectly acquire experiential knowledge via grafting managers with the relevant experiential knowledge from previous occupations; and, grafting by itself may not accelerate the firm's internationalisation processes.

This processual insight, thereby, sharpens theoretical understanding of the 'history-dependence' in firms' learning and internationalisation process (Haas and Cummings, 2015; Vahlne and Johanson, 2013, Vahlne and Johanson, 2017). This provides a more nuanced theoretical understanding of how and why MBEs that have been incrementally acquiring experiential-knowledge and developing experiential internationalisation knowledge internally may not be able to rapidly absorb potentially valuable experience-based knowledge, even though it has been grafted from the culturally-distant context in order to accelerate the experiential-learning process, as the 'born global' literature has suggested (Barkema and Vermeulen, 1998; Barkema and Drogendijk, 2007; Reuber and Fischer, 1997;

Petersen et al., 2003; Oviatt and McDougall, 1994; Loane and Bell, 2006; Huber, 1991; Forsgren, 2002; Brennan and Garvey, 2009).

This novel understanding, in turn, contributes to refining theoretical understanding of how and why the indirect-learning process may not allow a firm to supplement the direct experiential-learning process to incrementally alter their values and beliefs of the involved key-decision-making managers within the firm, and clarifies why empirical research has focused on direct experiential learning and why the role of pre-existing experience-based knowledge on the speed of internationalisation processes has been inconclusive, despite indirect learning processes occupying a central explanatory role in the internationalisation process research (De Clercq et al., 2012; Welch et al., 2016; Hutzschenreuter and Matt, 2017; Johanson and Vahlne, 2009).

Overall, this generated process account addresses the numerous calls to articulate qualitative process theories to create a more nuanced form of theoretical-process understanding of why firms expand differently over time, rather than reductionist theories that seek to create universal laws across different organisations and contexts (Birkinshaw et al., 2011; Vahlne and Johanson, 2017; Birkinshaw et al., 2011; Welch and Paavilainen-Mäntymäki, 2014; Welch et al., 2016; Burgelman, 2011; Welch et al., 2011). This Ph.D. refines the theoretical understanding, coherently with a qualitative process ontology of seeking to develop theoretical ‘cognitive maps’ that can explain how and why firms’ internationalisation processes may change over time, whilst at the same time accounting for their contextual conditions, i.e. the cultural differences, rather than simply creating a nominally universally-applicable set of causal relationships (Vahlne and Johanson, 2017; Welch et al., 2016:789). Specifically, the process diagram incorporated the open-ended nature of learning in the internationalisation process, and which does not have a final stopping point, since “firms are continuously in state of becoming” (Langley et al., 2013:5, cited in Vahlne and Johanson, 2017:1088), to move away from the outcome-focused studies at particular points in time. It illustrates that previous internationalisation process (outcomes) are seen as inputs, to determine the firm’s future absorptive capacity; this model therefore theorises how and why past experiences and events of individual managers shape their interpretations to provide a dynamic process-explanation of how and why interpersonal cultural differences within a firm may limit its absorptive capacity. Such a refined theoretical process understanding of how and why managerial discretion affects the firm’s knowledge-acquisition enables the study to

move away from the dominant deterministic understanding of the Uppsala internationalisation process model, driven by the positivist aim to create universally-predictive theories reconnecting the model to the people within the internationalisation process (Coviello et al., 2017; Forsgren and Johanson, 2010; Welch et al., 2014; Welch et al., 2016).

7.3 Wider Contributions to International Business Research Methods

This study has made important insights concerning the qualitative methodological approaches in international business to produce increasingly in-demand process-based theoretical explanations. The thesis has illustrated how the ethnographic field research approach can be useful for the internationalisation business discipline to understand how culture affects behaviour and interactions in the social (learning) processes of individuals within the organisation, and how these influence firm-level behaviour, as advocated by Sharpe (2004). Although this approach is rare and not without hurdles in the still largely positivist international business literature (Chapman et al. 2004), the study illustrates that participant-observation was well-suited to collect data on tacit elements such as culture, allowing the researcher to experience it first-hand and to theorise the revealed impact, as advocated by numerous researchers in the international and wider management research stream (Cuervo-Cazurra et al., 2016; Brannen, 2004; Alvesson and Kaerremann, 2007; Birkinshaw et al., 2011; Pratt, 2009; Piekkari et al., 2009; Doz, 2011; Gioia et al., 2013; Westney and Van Mannen, 2011). This applies as an alternative to measuring some abstract latent measure of culture or tacitness, to produce impactful research for the international business community and firms seeking to understand, explain and address their cultural differences, an issue at the heart of the international business discipline (Caprar et al., 2015; Buckley et al., 2017). This methodological approach is appropriate to enhance the theoretical process understanding of how and why culture affects the social-learning processes on an individual level, reconnecting the model to the people within the internationalisation process in order to sharpen theoretical understanding of firm-level constructs and assumptions in the Uppsala internationalisation process model (Felin and Hesterly, 2007; Coviello et al., 2017; Welch and Paavilainen-Mäntymäki, 2014; Welch et al., 2011; Welch et al., 2016).

This study has shown that the grounded theory approach was well-suited to analyse the process data in a reiterative and open fashion that can reveal novel elements and adjust the

research question alongside those theoretical discoveries. Whilst the grounded theory approach was highly effective to openly explore the data without significant preconceptions, so avoiding confirmation biases and allowing exploration of the process on an individual level over time accurately (Langley 1999), it was not useful to move to the process-based understanding given the static output of the data analysis. In order to address this methodological shortcoming, the study changed the methodological approach from one purely of grounded theory, to an abductive process-theorising approach, addressing how and why the learning processes affect the internationalisation process over time. The process theorising allowed the author to draw on the evolving narrative and 'casing' approach to create a sensitised theoretical understanding of how and why the learning processes affected the sequence of the events over time (Pentland, 1999; Ghauri, 2004; Ragin, 1992).

This combination of methodological approaches proved appropriate to identifying the obstacles to adaptation that the study has been addressing. The thesis illustrates that whilst grounded theory is reliable to match the data with the theory, even new theories need to draw on the extant theoretical understanding to provide a novel understanding; thus a purely grounded approach was not appropriate to advance the extant theoretical process understanding (Dubois and Gade, 2002). Instead the abductive process approach of Langley et al. (2013), Locke et al. (2008), Alvesson and Kaerremann (2013), and Pettigrew (1997) was better suited to capture the impact of the processes on the evolving phenomena over time. Overall, this thesis addresses the wider methodological calls to employ qualitative process-oriented research methods in international business literature to advance understanding of how and why firms evolve over time (Eden, 2009; Burgelman, 2011; Birkinshaw et al., 2011; Welch et al., 2016; Welch and Paavilainen-Mäntymäki, 2014; Vahlne and Johanson, 2017; Cheng et al., 2009; 2014; Cantwell and Brannen, 2016; Langley et al., 2013).

7.4 Managerial Recommendations

Managers and firms face unfamiliar market contexts in order to successfully internationalise, including explicit regulative and implicit cultural differences that have to be addressed. Whilst it sounds tempting to hire an experienced manager with the relevant experiential knowledge to address contextual differences, this thesis has illustrated that interpersonal cultural differences may limit firms' capacity to absorb experiential-knowledge from a culturally-distant host context. Managers' know-how, as we have seen, is not necessarily

either easily or quickly transferrable within the firm, and the cultural differences between the managers may sustain and impede effective absorption of valuable experience-based knowledge. The short cut of hiring a knowledgeable manager, therefore, might not necessarily allow the firm to address its knowledge gap in an expedited manner. But how can managers and firms address this sustained ignorance of potentially valuable knowledge when driven by the desire to avoid psychological distress?

An important consideration the study has shown is the previously-acquired knowledge and the underlying cultural attributes of the individual manager and the collective management team as the actual decision-makers, especially regarding useful but also ambiguous experience-based knowledge. The study has showed that grafting may be conducive to create over-confidence among senior managers in their own ability to meet the different implicit conditions, in addition to their confidence from past successes and developed routines, resulting in them paying insufficient attention to understanding them in order to recognise the scope of the knowledge gap, as well as sources and means to overcome it.

In order to be able to recognise the value of ambiguous but potentially useful experience-based knowledge along the internationalisation process, the thesis suggests that the senior managers ought to learn through direct experiences of being exposed to experience-based knowledge that contrasts with their own personal values and belief-systems to shake up their established values and beliefs and allow them to recognise the value of such different experiential-knowledge. Exposing the senior managers to fundamentally different cultural ways of doing business allows them to gain an appreciation of diverse and even contrasting knowledge, based on the experience that different contexts require different types of experiential-knowledge. Ultimately, managers and firms can only learn how and why there is a need to act differently based on the hidden cultural differences by discovering and learning about these differences through the experiential-learning process, due to the implicit nature of those cultural differences and inherent uncertainty of the information which make it hard to recognise and address in advance.

Managers are well-advised to be exposed to significantly different cultural markets to acquire cultural knowledge, i.e. to learn from the people in these markets how things are done differently, and why people would act in fundamentally differently ways compared to their own knowledge. This would allow MBEs to reduce the perceived and actual distance in order

to interpret, understand and recognise the value and apply experience-based knowledge, to transform their current knowledge by developing new capabilities and embedding them in new, more suitable routines. Therefore, the direct experiential-learning process to acquire market-specific knowledge about cultural conditions, as well as general experience-based knowledge of how to address different and potentially contrasting cultural conditions, is essential to push the boundaries of the absorptive capacity of the firm (Sousa and Bradley 2006). Hence, the firm may focus on explicitly training its key decision-making managers to foster and establish a wide pool of general experience-based cross-cultural internationalisation knowledge. As shown by Hutzschenreuter and Horstkotte (2013) top manager's internationalisation experience may moderate the effect of cultural distance and collective shared experience among the top managers may enhance the profitability of the firm as it moderates the impact of the cultural differences.

If such training and learning efforts are not feasible or the 'home grown maps' are too well-established to change in time for entry into culturally different markets, the alternative can be to adjust the organisational form. Previous studies suggest that decentralising the organisational structure may allow for greater autonomy of the units within the MBE, to overcome the need to consider differences across markets at the central decision-making process at the headquarters, and to be able to act with greater autonomy in different markets (Bartlett and Ghoshal, 2002). The study revealed that even though the grafted experiential-knowledge was not effectively absorbed within the firm, the grafted manager was yet able to employ his experience-based knowledge to address the volatile market conditions and mitigate the repercussions on the firms' sales performance of the unforeseen challenges in the host context to some extent.

The grafted manager's linguistic abilities and working history in the host market allowed the firm to gain an insider position and thereby better access to the extant customer network, becoming more deeply integrated in the local market network. This improved embeddedness allowed the firm to gather better market information from the extant customer networks and to appreciate the cultural values and beliefs of the Egyptian customers, for example to understand and address the behavioural differences in price negotiations and customer relationships. Ultimately, the grafted manager was able to gather information and learn about alternative options of how to address the lack of foreign currency the firm faced. This information and general experience-based know-how allowed him to translate the senior

managers' underlying values and beliefs embedded in the dominant logic and expectations into an alternative solution that was compatible with the firm's extant internationalisation knowledge.

Whilst this outcome enabled the firm to mitigate the unforeseen knowledge gap and repercussions on performance, empowering the grafted manager with greater autonomy to employ his experience-based knowledge in the decision-making process would enable the firm to benefit even more from the grafted knowledge without necessarily having to absorb it in the minds of the individual decision-makers. Thus, managers may not need to indirectly acquire the experiential-knowledge, but may create decentralised organisational structures that provide sufficient flexibility to allow knowledgeable managers to be the decision-makers for establishing new ventures. Yet, as has been pointed out elsewhere e.g Bartlett and Ghoshal (1989), decentralisation of the organisational structure may create coordination challenges to the coherent alignment of the different departments.

Additionally, the thesis suggests that if the legal and cultural differences are significant, a firm might rely on a third party in the local context to address the differences, since these do have access to experiential-knowledge of how to address the conditions in the market. These distributors may also offer access to market information and knowledge to indirectly learn about the market from the experience of the local businesses.

7.5 Limitations and Future Research Opportunities

The thesis has provided a qualitative in-depth insight into the firm's ability to transfer and absorb experiential-knowledge, sharpening theoretical understanding of how and why grafting can serve as an expedited means to acquire experiential-knowledge to accelerate the internationalisation processes of larger MBEs, to provide a more nuanced theoretical processual understanding of the indirect learning processes in the internationalisation process.

Conducting a single in-depth case study bears limitations for the generalisability of the findings. This study's aim was not to create universally-applicable laws, but rather a sensitised theoretical process explanation taking into account the contextual conditions; the findings should not be seen as generalisable to explain the internationalisation process of all MBEs' internationalisation processes (Welch et al., 2011). Instead, this study has refined

theoretical understanding, contributing to a process-based explanation as a 'cognitive map' of how and why firms are able to indirectly acquire experiential-knowledge from culturally distant contexts when seeking to penetrate a culturally distant market context, and how indirect learning may not enable the firm to close its knowledge gap in an expedited manner. This study has been conducted in one department within a single multinational enterprise and the findings, therefore, are based on the particular informants and insights created within the particular contextual conditions of that department within that particular multinational (Westney and Van Maanen, 2011). Accordingly, this study has pointed out a number of insights which are beyond the scope of the thesis, but certainly relevant to future research to enhance theoretical understanding of how and why different learning processes affect internationalisation.

Firstly, the study has moved away from the dominant approaches to analysing culture in international business, by drawing on ethnographic methods to understand how culture affects the perception and behaviour of individuals in their causal context. As outlined by various editorials and special issues, this novel theoretical approach to the impact of culture on social learning processes on the individual level within the firm enabled this study to unpack the liability of foreignness concept and absorptive capacity concept; in doing this it illustrated how interpersonal cultural differences between the individuals affect the perception and interpretation of information and potentially useful knowledge (Cuervo-Cazurra et al., 2016; Birkinshaw et al., 2011; Pratt, 2009; Piekkari et al., 2009; Doz, 2011; Westney and Van Mannen, 2011). Future research should seek to explore how the cultural distance between the individual managers and the new context affected the perception of the liabilities of foreignness (psychic distance), to sharpen how and why the direct experiential learning process is a time-consuming process and necessary to break through the ex-ante perceptions of the knowledge gap and 'partial ignorance'.

As outlined by De Clercq et al. (2012) research might consider the relationship between domestic and foreign markets as an explanatory contingency of how and why pre-existing knowledge may be important to explain the internationalisation process. When a foreign market is very different from the home context the previously-acquired knowledge may be less important since attempts to build on established routines may be counterproductive. However when it is similar to the home context the pre-existing knowledge may create the illusion that there is no need for learning and adjustments. The perceived distance seems

particularly important as this may lead managers to erroneously believe that extant routines and operations need little adjustment; in particular, if the routines have been in place for a long time they might counteract willingness to adjust operations and approach. Future research, therefore, can apply the psychic distance at individual decision-maker level to understand how the experiential-learning process is impacted by individual decision-makers' perception and interpretation of the market differences; and their perception affects the employment of pre-existing experience-based knowledge, learning and continued decision-making within the on-going internationalisation process. Additionally, this study has pointed out that grafting seems to have reduced the perceived psychic distance of senior managers making them even more ignorant of possible deeper differences, since it made them even more overconfident in their ability to address the hidden contextual differences and knowledge needs, which amplifying their difficulties in superstitious learning to be able to learn how to address the differences to expand further into the host context. Future research is need to understand how grafting may be conducive to create over-confidence leading to superstitious learning and how this may restrain firms' ability to address culturally-distant markets.

Secondly, the case study has shown signs that the managers were incrementally altering their personal cultural attributes based on the direct experiential learning process. Yet the six-month period of participant-observation was not suited to sufficiently theorise how the direct experiential-learning process may change their underlying values and beliefs over time. Yet, the extant internationalisation knowledge and routines based on the senior managers' experiences and knowledge affected their ability to effectively employ the indirectly-acquired experiential knowledge. Future research could explore ways in which managers' values and beliefs change along the learning of the internationalisation process and how the evolving cultural attributes affect the evolution of internationalisation into less familiar markets. Future research could also examine how firms can train managers or hire managers from a variety of nationalities to acquire international experiences and knowledge more rapidly so that the future capacity to absorb experiential-knowledge from culturally-distant contexts is not impeded.

Thirdly, the thesis has revealed that though the experience-based knowledge was not transferred within the firm the grafted manager was able to employ that knowledge for the benefit of its expansion process. The international business literature, however, rests to an

extent on the assumption that general experiential-knowledge is transferrable: future research should examine how and why interpersonal cultural differences may impact the transfer, and ways to get around these inter-cultural barriers. The study highlighted that grafting can benefit the company in the internationalisation process, allowing senior managers to live with their ignorance of cultural differences, by employing the experiential-knowledge in a way that fits broader internationalisation knowledge (in the minds of the individuals and routines and structures of the firm). This insight allows the study to explain how and why firms may still be able to address their knowledge gap; not however by transferring experiential knowledge, but by transferring the individuals that possess the relevant knowledge. On this basis experiential-knowledge can be sourced and employed within the MBE. This also has implications for understanding how knowledge acquisition and transfer affect the internationalisation process.

Fourthly and finally, the thesis has revealed that the firm had drawn on several learning processes along its internationalisation process. Due to the theoretical focus on the impact of grafting, the parallel knowledge-development processes in the internal and external networks which required a network approach were not theorised; the case study has though revealed that the cultural distance between the grafted manager and the external network partners in the host context was significantly smaller compared to the senior managers at headquarters. This enabled the firm to become more deeply embedded in the business network, to access experience-based knowledge and have quicker access to relevant information within the network.

Further research may gather data on the internal and external networks to analyse the impact of grafting to gain a stronger position in the internal and external networks to advance theoretical understanding of how grafting may deepen relationships as a means to acquire institutional market-specific knowledge. The psychic distance between the home and host context are not as relevant since companies tend not to incrementally internationalise in correlation to the psychic distance (Oviatt and McDougall 1994). However, as done in this study, the perceived distance can be applied at the level of individual decision-maker instead of firm-level (Sousa and Bradly, 2006; Johanson and Vahlne, 2009). Future research could explore when the lack of knowledge i.e liability of foreignness is the main problem and when the lack of insidership is the main problem for firms, as the former is related to the lack of market and cross culture knowledge whilst the latter is related to lack of embeddedness in

the networks that can be source of information and knowledge for firms to learn. The lack of experience-based know-how to interpret and understand the cultural differences could be a pre-requisite to achieve a deeper embeddedness in the relevant networks. Future research could combine the concepts of liability of foreignness and liability of outsidership to explore how the psychic distance between a grafted manager and local networks may be lower, to explain how the cultural distance between grafted managers and local networks impacts the ability to become an insider, in terms of forming relationships in the network, and the ability to learn about institutional and cultural conditions.

8 References

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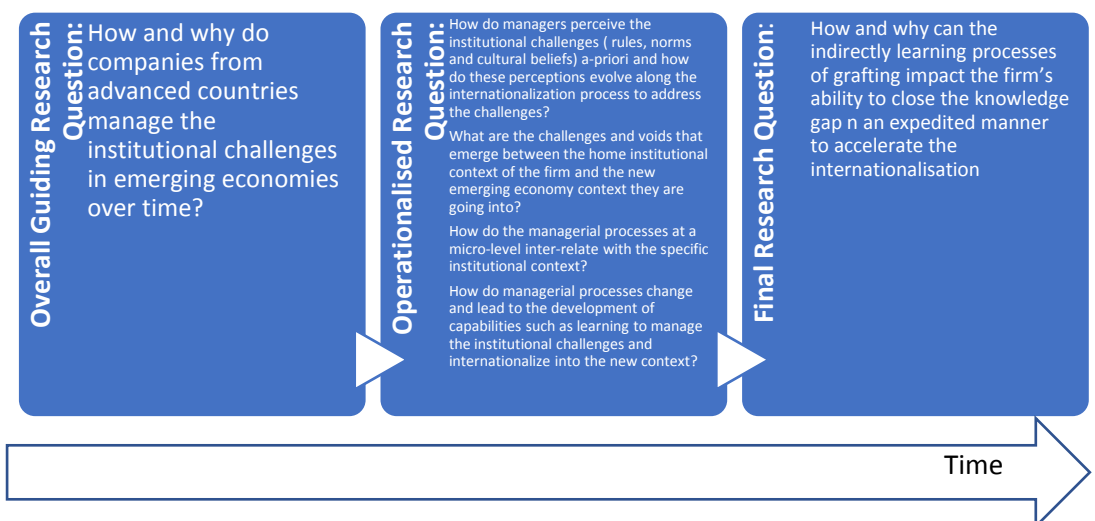
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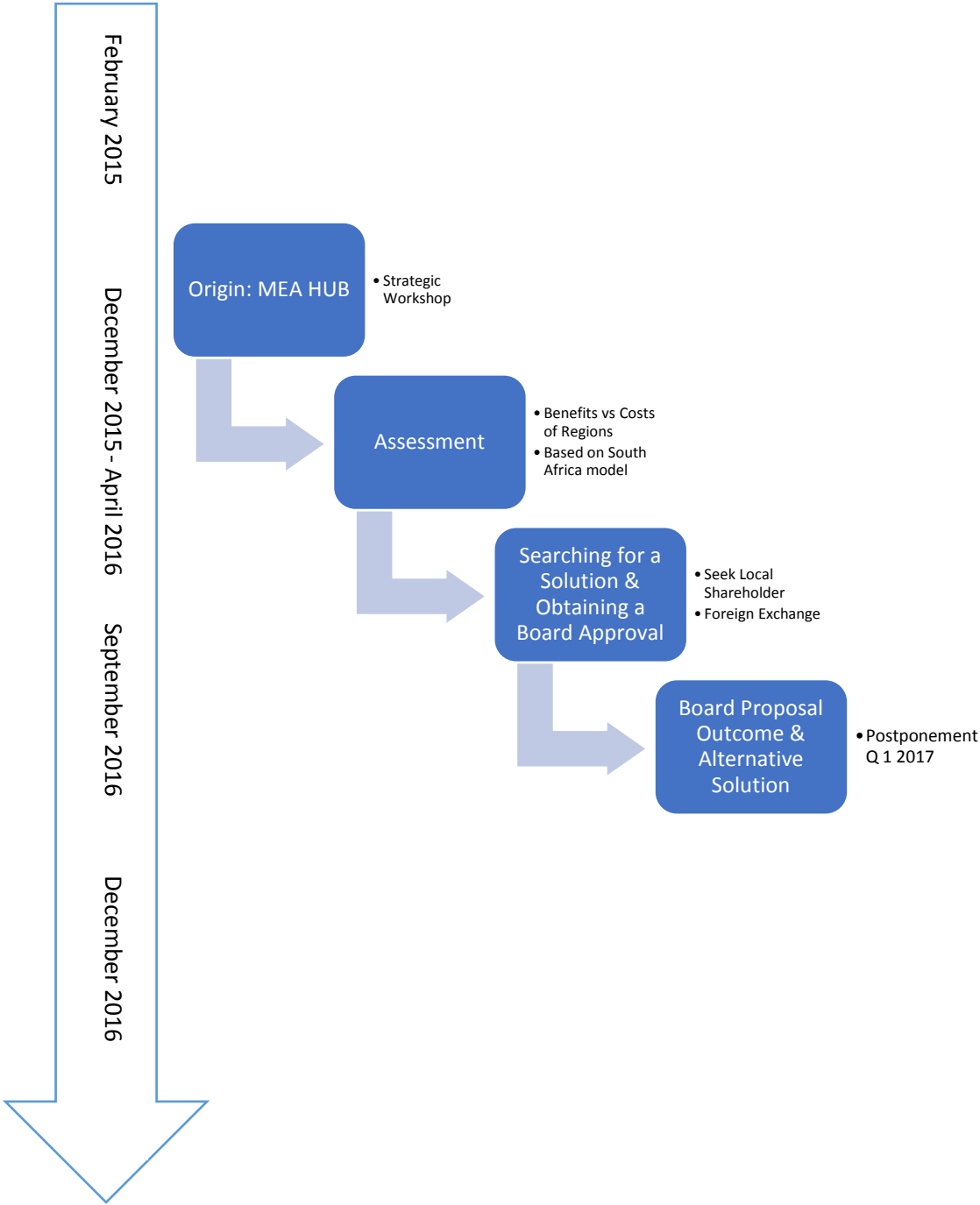
9 Appendices

9.1 Overall Research Question and Operationalised Research Questions

- 1) Initial Guiding Process Research Question:
 - a. How and why do companies from advanced countries manage the institutional challenges in emerging economies over time?
- 2) Operationalised Research Question for Data Collection:
 - a. How do managers perceive the institutional challenges (rules, norms and cultural beliefs) a-priori and how do these perceptions evolve along the internationalization process to address the challenges?
 - b. What are the challenges and voids that emerge between the home institutional context of the firm and the new emerging economy context they are going into?
 - c. How do the managerial processes at a micro-level inter-relate with the specific institutional context?
 - d. How do managerial processes change and lead to the development of capabilities such as learning to manage the institutional challenges and internationalize into the new context?
- 3) Eventual Evolved Research Question:
 - a. How and why the indirectly learning processes of grafting impacts the firm's ability to close the knowledge gap in an expedited manner to successfully expand into a culturally distant market context?
 - b. Detailed Sub-Research Questions:
 - i. What is difficult about transferring experiential internationalisation knowledge?
 - ii. How do interpersonal cultural differences affect the transfer of experiential internationalisation knowledge?
 - iii. How do interpersonal cultural differences impact the organisational absorption of experiential internationalisation knowledge?



9.2 Case Study Timeline



9.3 Extract Participant Observation Notes

Week 2 11/07-15/07

Monday 11/07 Meeting Egypt Project

Global Sales optimisation (GSO)

- There are changes in the global tax system which requires [Company Name] to switch the current representative office into a full legal entity (this is connected to why the WOS will be preferred
- established, but as clarified not the main reason rather it is meant to support the project

Warehouse project

- The decision of establishing a MEA logistics hub was done together as a team
- Including the local team (sales managers and technical managers) and the [Segment Name] Nutrition committee
- Questions (author): I was surprised that documents (for registrations) are listed as the main challenge in the PowerPoint assessments and not acquiring clients, [grafted manager] replied “well we have the local guys – the know the language and the culture”
- The PowerPoint is used as the prime source to compile key information and share these among the managers
- information with others e.g. local team prepares overview for head office or head office
- prepares PPT to assess MEA logistics hub
- Board of Management received official PowerPoint 15/06/16 (but as [grafted manager name] mentioned they were informed along the preparation way, this PowerPoint is merely to get the approval
- Educating the board is key to make sure it gets approved at the end
- The set-up of the warehouse will be done by the marketing and sales team +admin

My experience/perception of the challenges

- What are the challenges/voids that [Company Name] managers perceive to face?
 - Logistics to find a trustworthy partner
 - Information (e.g. real market size)
 - Political instability/ uncertainty
 - FX realising market potential
 - Competition [Competitor name] (has built a warehouse and done an exclusive distribution contract with

- a big client and won 21% market share in one year)
- The firm was present in other products before
- it seems as the warehouse project is an attempt to win the market share back

Interpretive Notes Wednesday 13/07/16

- How do managers perceive the institutional challenges (rules, norms and cultural beliefs) a-priori and how do these perceptions evolve along the internationalization process to address the challenges?
 - Questions which I still must follow up on to understand the managerial perceptions:
 - The questions why have the WOS been chosen opposed to all the other options?
 - Observations and ideas
 - Today it became clear that the GOS is connected to the Egypt warehouse project and reinforces the need to change the business model to the upcoming changes
 - Moreover, the conversation at lunch triggered some ideas about what the institutional challenges might be which I should try confirm from the managers perceptions
 - I noticed previously the institutional uncertainty is a key issue that has to be managed to successfully manage the internationalisation into Egypt and other MEA markets
 - Not only legal and political uncertainty are to be managed but the reliable supply chain across war zones, where infrastructure is not as developed
 - Quote: “After Mc Donald we are usually the first to enter the market”

9.4 Extract Interview Guide

Executive summary of my thesis:

1. Identifying what are the managers perceptions of the institutional challenges that [Company Name] faces when internationalizing/operating in the emerging economies, and in particular the MEA regions and Egypt?
 - a. How do these evolve?
2. How do the managers interrelate with the specific challenges and the context and learn to manage the institutional challenges?

Aim of the Interview:

- Gain an understanding of [Grafted Manager's Name] perception of the institutional challenges (use as contrasting perspective to German ones)
- Assess whether the initial perceptions of the challenges have changed i.e. since early 2015
- How does he interrelate with the challenges and learn to manage them when making the investment decision and operating in these markets?
- Learn about the planning phase and early implementation phase, to see the evolution of the perceptions and processes

Interview Questions:

Part I: Past Developments MEA HUB and Past Challenges

1. Can you tell me about the background of the MEA hub project including why and how it was created?
 - a. What is the objective of the local warehouse?
 - b. When did it start?
 - c. What were the key drivers?
2. Who and how were decisions reached to go ahead with the project?
 - a. When and how did the discussion and evaluation of the different hubs take place?
 - i. What were the key considerations during the planning phase?
3. What role did the specific institutional context of the MEA region play in the project?

- a. What was your perception about the challenges and prospects?
 - i. Was the volatile foreign currency exchange rate considered?
 - 1. Probably not as not on the challenges of PPT
 - ii. Lead times due to lack of developed infrastructure?
- 4. Why is the warehouse going to be established now if the company is there since the 1970s?
 - a. Could you elaborate how does the lack of a clear strategy as mention by [NSM Name] affect the project?
 - b. How did the increasing competition affect the need for a hub?
 - c. Does your recent promotion to the regional sales director to contribute to this?
 - d. What type of office was in Egypt before 2013 and why did it change to a limited?

Part II Egypt Hub and Current Challenges

- 1. How are you dealing with the current key challenges in light of the hub project implementation?
 - a. E.g.:
 - i. How do you cope with finding an appropriate shareholder?
 - 1. Customers and personal relationships?
 - ii. What is your plan to tackle the lack of foreign exchange?
 - iii. How do you think the company should deal with this situation? Has your view changed over time?
 - 1. Black market?
 - b. To what extent did and does the increasing competition and move by CJ influence the project?
 - i. What role does the foreign and local competition play?
- 2. Did the challenges change since the start of the project and if yes, what impact did these have?
 - a. You mentioned that market conditions are getting tougher (E-mail 29.08.16) could you elaborate what do you mean by that?
- 3. How have you or the company learned to deal with the challenges differently since you manage the region and Egyptian market?

4. How does your past experience including your knowledge and ability to manage the Egyptian market?
 - a. Awareness of illegal activities like the black market etc
5. Why are you starting to change the client structure?
 - a. How does this offset the postponed project?

Part III Processes

1. From your perspective what factors triggered the decisions to postpone the project and why?
 - a. You mentioned earlier that the project might be cancelled if the FX will worsen, do you think that the company underestimated the risk?
 - i. Why Q1 2017?
 - ii. The legal set up of the company to be 'flexible to start the local business'
2. Who decided to postpone the warehouse project?
 - a. Are there differences between the top managers (VP MEA, SVP, board) and your perspective?
3. How will you deal with this postponed situation?
 - a. Monitor?
 - b. What is the contingency plan?
4. How do you cope with the lack of market information from external sources?
 - a. I noticed that you seem to make decisions on a base of information but seem to make the final call based on intuition
5. In the Sales and Marketing plan and other relevant documents you used a SWOT analysis – why do you use this tool?
 - a. What is the insight or support you gain from the SWOT to implement your strategic plan?
6. To what extent does the compliance guidelines affect the way you are making decisions?
 - a. I have noticed that there is a strong emphasis on 'scientific assessments' – in other words having a clear objective evaluation process – creating decision-making criteria, gathering information, assessing the information against the

criteria – is this a standard company procedure of making strategic decisions?

Part IV Personal Views and Reflection

1. What is your personal impression about the Egypt project?
2. Do you think that the company underestimated the risk of the FX when they planned the hub?
 - a. The legal set up of the company to be 'flexible to start the local business'
3. Now that the project got postponed, would you have chosen a different location for the hub in hindsight?
4. What do you personally think about the decision that the project got postponed?
 - a. Where there any disagreements about the progress between the managers?
 - b. Would you have done things differently if you were able to decide it alone?
5. How do I affect the project from your perspective?
 - a. Using my German name to send surveys for instance
6. How has my presence and interaction with you affected the way you approach and implement the project?
 - a. Me asking about what the main challenges are
 - b. Making comments about the FX
 - c. Ruling out the UAE hub
 - d. Trader segmentation, me presenting to the local team to get the local sales manager on the same board.
7. Have you gained and/or learned anything from my participation in the project?

9.5 First-Order Concepts

9.5.1 Top-Down Decision-Making Process

Source	Representation Evidence: Quote, Participant -Observation, Documents
Sub-Category	Hierarchical Decision-Making Process
Grafted Manager Interview (AH I, 2016)	“To tell you the truth, I wasn’t really in favour of the project but I got stuck into, because of the [Strategy Name] workshop. And then the idea came. But from the beginning I did not feel good about the project that it will go through. Because I knew the problems in Egypt is too much for the company to handle. If we were a flexible company accepting to go to the black market buy foreign currency and do things differently, the project would have gone already good. But because knowing [Company Name] very well, I didn’t think this project would have been approved. [...] But I could not say so to... at the beginning [...] I think when we started with the project, you know, the mentality in the company is that you want you to do the project and then out of the project they want to see the outcome of a.. If at the beginning, I would have told them there is a lot of challenges don’t do the project, they would think I’m killing the potential. They have to go through the process and then see it at the end. “
Grafted Manager Interview (AH II, 2016)	“it was a coincidence, because the project was coming as part of the value selling projects and was initiated by [Business line Name], and we did a workshop with the whole team, and they came up with three projects one of them was the hub. “
Grafted Manager Interview (AH I, 2016)	“Yeah, this was, we had a meeting in February 2015, where the management decided with the global [Business Line Name] team that we want to embrace [strategy name] [...] And within the [strategy name] we want to develop our approach to the customer so their see value form us, but also internally we want to develop and upgrade our performance, yeah?. So, the projects, every region was asked to brainstorm and come up with different ideas. And then break down these ideas or consolidate the ideas to come up with two or three projects. In our region we had a workshop, we put many ideas, we discussed them together, then we consolidated the ideas, then we came up with three projects. One of them was to investigate the feasibility to have ehh a logistics hub in the MEA region. So, this was the background.”
Grafted Manager Interview (AH I, 2016)	“[VP Name] was stuck into this project like me, because once you transfer the information to the top guys, like the [Segment Name], you cannot back up. It is very difficult to back out. So, you have to go all the way until you prove to them that this is not working out.”
VP MEA Interview (HR I, 2016)	“Yes, they [the Board] have told me, we want to employ someone who has the knowledge what we in the management do not have. So, we are actively seeking to go ahead in the emerging markets in order to avoid lagging behind as we did in China 10 or 15 years ago. We want to enter ourselves. These are markets which we do not understand based on the daily business, so we have to let people manage it who are confident that they can handle it, willing to travel and go all long with the rest.” [Translated from German]

VP MEA Interview (HR I, 2016)	<p>“the time is now. We have decided to start the project last year in February. We had a workshop how to improve the logistic in the middle east. There were different options that were put on the table and worked through and the concrete outcome is to implement it in Egypt that is ready to be presented and is going to be presented to the Board next week. But they have signalled from the beginning yes, we will support the project, we are on board. But it is not finished yet, just because the Board is saying go ahead, we will support you” [Translated from German].</p>
Interview SVP (AP I, 2016)	<p>“what is making this [strategy development] more difficult is when we are getting top down instructions which is neither in the hands of the Business line or in the hands of the directors of the segment. That for instance was the case this year and will be the case next year. All what we have established together, is at the end increased with a certain surcharge by the Board of Directors of the whole company. That is of course very unpleasant. But okay we have to deal with it and we are doing that, but these are things which hampering the strategy development process. “ [Translated from German]</p>
VP MEA Interview (HR I, 2016)	<p>“But I know based on the past 40 years that the normal way is to sell via a warehouse, we are doing this in South Africa for 30 years. [Company Name] is the distributor, we are importing the goods [...] and we want to this in Egypt too.” [Translated from German]</p>
SVP Interview (AP I, 2016)	<p>“We are doing these activities, I remember a number of years ago in India, it was very similar, we had started with employing technical staff and were looking for local distributors how have carried out the business, and at some point we had said the margin the distributors are making we much rather obtain it ourselves. This was followed by sacking the distributors mostly when the product was short in supply, and they were supposed to get the product elsewhere we terminated the relationships. We had said guys you earned enough money from us, we are doing the distribution now on our own. And that’s how it will continue in most parts. Building up and preparing via technical staff, import the goods via local distributors who are carrying out the distribution and then at the right time switch to our internal distribution. That is in principal our classical way [...] That is in a few words how the process evolves, sometimes faster than other times. But now we have the problem we need to switch to internal distribution right away with a legal entity which makes this more difficulty. “ [Translated from German]</p>
Managing Director for Finance Interview (MG I, 2016)	<p>“What we are seeing in Emerging markets is that normally, we are trying to strengthen the local sales force, and what is next closet to sales? The technical application services, so that people, which I think is applicable to emerging markets in general, that was the case, when did we start establishing ourselves sin China? That is no 15 -16 years ago. China was then an emerging market the activities started by strengthening the sales competences, meaning to hire sales people and these had technical application technicians flying in to explain the products to the local people. In the meantime, we have in China technical applications and increasingly research and development, because the emerging markets are developing further, and products are being developed locally, since there are differences in the demand within the individual countries, and the next step would be to produce locally.</p> <p>For me there are four stages: to hire sales people, technical applications, then research and development and then production, although having said that production and research and development are probably going hand in hand, since if I want to develop something locally I need the competences to</p>

	<p>produce it locally. These are the different steps from my view and the same is applicable for the middle East and North Africa.” [Translated from German]</p>
SVP Interview (AP I, 2016)	<p>“The external distribution, meaning we have an external partner in the country, who is selling and distributing locally for us, and we are invoicing him. This is only in a few cases because it has the disadvantage of not being close enough to the customer. Our business model, specifically in our department is based on directly reaching the end customer, which means that we are not able to practice the easiest option, the direct export to the end customer in the respective country [...] where someone is on the phone in Germany and sells. For us in principal there are two models or three models which are remaining. The external distribution meaning we have an external partner in the country which is doing it for us, we are selling to him, and he does the distribution in the country. This model is only employed in a small number of cases, because it bears the disadvantage that we are actually not close enough to the customer. However, there are examples which illustrate that it can work even though. An example is the company in Finland, which we are considering as own employees, they are working exclusively for us, and not doing anything else, but are an independent local entity, which imports everything. One can do that if the distributor really only trades our product within the certain product sector, they have other products in their product portfolio, but in those areas where we have a product they are doing ours.</p> <p>The second option is the so-called agent model with own people. It means I have own people in locally who are working with the end customer in the country, negotiating everything and consulting etc, but I stills ell directly to the customer, meaning the invoice is issued to the customer directly, and there is not legal entity from [Company Name] in between.” This so-called agent model is being questioned by the tax authorities, and there are already No-go countries such as Australia and Thailand, where this agent model is prohibited, because the local tax authorities, who should I say it, too little tax generates locally. That means the authorities assume that there is more value created locally than reflected in the tax revenue to put it bluntly and simply. Thus, the actual model which is preferred is the internal distribution involving own people [...] usually we have own warehouse, since if we are distributing internally we want to use the opportunity to offer smaller amounts than a full container [approx. 50 metric tons] to be sold, which has the big advantage for the client not needing to tie up so much capital. So the client rather leaves the product with us and it will sit on our warehouse. Some may say why are you doing that? You are increasing the network capital for the [company name], yes but naturally we are not alone in the sector. So we are getting into direct competition with our competitors which are also starting to do so. So basically, we are working to surrender the internal agency business model, as demanded by [Company Name] tax department, so in the long run the external distributors will remain, the direct export will remain [to big customers] and the internal distribution. Whereas it is explicit that the preferred business model is the internal distribution.</p> <p>This has happened already in Europe, where we implemented the process, and made the necessary adjustments, and in Europe the whole topic is done”. We had the same Drama a few years ago, [...] where we had to establish a number of permanent offices in the individual countries – so called ‘Betriebstaetten’ founded. Yes- this was done. But we do not want to</p>

	do that for the rest of the world. I do not possess the competence to really explain why this model not work in the rest of the world. Fact is we are going for legal entities and internal distribution that is the big goal. The transition year is 2017, we are expected to complete the process by end of 2017 to surrender all agent business model. And change everything into an internal distribution or if not possible into an external distribution." [Translated from German]
Sub-Category	Lengthy Decision-Making Process
Grafted Manager Interview (AH I, 2016)	"But within [company name] to make such proposal and change takes long time, maybe another two years in the project life and then the market would have changed completely."
Grafted Manager Interview (AH I, 2016)	"We have been running after the Board approval since the beginning of this year. And we are only getting it in September - already nine Months."
Managing Director for Finance Interview (MG I, 2016)	"I'm d'accord with it [German company culture] as I think that our companies, there are many firms which are around for a long time. The [Company Name] and [Company Name] is around for 150 160 years and still is among the leading chemical companies worldwide, so we are able to address the challenges in the markets. And this even with a certain compliance standard, I'd call it legal safety and yet to grow, produce good products and maybe we do not make decisions within two weeks but take four, five or six weeks, but one can say that in hindsight the long time period taken helped us to secure the survival of the company and the successful survival of the company" [Translated from German].
Managing Director for Finance Interview (MG I, 2016)	"We have things that are arising as unexpected challenges even though these are discussed at length in the business lines, because we have to approve or make the decisions, but we cannot be involved in each preceding discussion as otherwise we would hold up the progress. So, we have to gain a picture of the situation and that is why it is important to know the overall strategy and how the individual project is aligned with the overall strategy" [Translated from German].
Head of Strategy (MC I, 2016)	"I would say in principal it is the case that we as a German, especially regarding expansions and growth considerations are saying we are rather more cautious and evaluating. It is often the case that we are only allowing to build new production facilities if we are in principal 90% sure that we are able to sell the capacity. That is great if that is the case, but the disadvantage is that our decision-processes can take very long" [Translated from German].
Head of Strategy (MC I, 2016)	"I was involved in building a production facility in Thailand, and our partner said bac then that the Asians were thinking very differently, they a rebuilding the facility which is way too big and during the construction time they are considering what to do with it once it is ready [...] In this respect there are different worlds that are confronted with each other." [Translated from German]
Documents (Company, 2016a)	The formal Board decision was made almost nine months after the submission of the proposed investment and the actual decision to approve the project being made on 12th September 2016.
Documents (Company, 2016a)	The assessment of the Hub project took from March 2015 until December 2015.
Sub-Category	Implicit Decision-Making Process Norms

Grafted Manager Interview (AH II, 2016)	“No one will say no, ja? And this is what makes me sometimes bored, ja? Because everyone will ah say yes, yes, but not now, when the situation improves, ja? So for example we have a decision to make the company, the Board already approved, because no one would say no, but okay we didn’t do anything so what the importance of the decision now? Ja? I’m sure if in a couple of months’ time, I mean if things are okay, we have to go back to the Board, but why back they already took a decision, yes? Ja. Then it is a decision that has no meaning in my opinion. Just a... Because you will need to renew it anyway.”
Grafted Manager Interview (AH II, 2016)	“No, we are a risk averse company and very rigid, because all the manager who have been there never they always wanted to work the easy way, which was the available way.”
Grafted Manager Interview (AH II, 2016)	“No, you can do a lot of things, but we are in a very risk averse company and we also have to take that into account.”
Grafted Manager Interview (AH I, 2016)	“At the end, no one wants to make a decision about a risky project. And I think when [VP MEA Name] saw there is a lot of, you know, back and forth e-mail and nothing is clear about this foreign currency issue”, [the VP MEA’s Name] said okay better they stop the activities, because no one wants to say okay go ahead and then we are stuck with some problems.”
VP MEA Interview (HR I, 2016)	“due to the associated risk, the company will not switch [million value in Euro] into products to be sold, but we will do it step by step. And if it does happen and the value decreases, and customers are not able to pay.” [Translated from German]
VP MEA Interview (HR I, 2016)	“But they [The board of directors] have signalled from the beginning yes we will support the project, we are on board. But it is not finished yet, just because the Board is saying go ahead, we will support you.” [Translated from German]
VP MEA Interview (HR I, 2016)	“The outcome was to implement it [the hub] in Egypt. That is ready to be presented to the Board, but they have signalled from the beginning yes we will support the project, we are on board.”
VP MEA Interview (HR I, 2016)	“where I see the problem, which I also see in South Africa, the currency we can secure and hedge, that is not a big issue, but how much risk is the company willing to enter. How can we secure our exposure? There is an internal guideline in the company stating that the mother has to protect the subsidiary of any damages and risks.” [Translated from German]
VP MEA interview (HR I, 2016)	“You need nerves, a lot is depreciated, one has to learn that, there are probably other smart ways. I don’t know yet, maybe we say we have outstanding invoices and we are selling these to others who are willing to incur more risk, than us. Some sort of derivative. Why not?! But no will do that, we will have to get it from the exchange market.” [Translated from German]
SVP Interview (AP I, 2016)	“But there is no one in [Company name] who would approve such exchange business, that we are selling methionine in Egypt and buying bio potatoes. That is, at the moment not in out of scope, and these things should be considered carefully and thoroughly, since of course no one wants to hoard thousands of tons of potatoes, I know, I know.” [Translated from German]

SVP Interview (AP I, 2016)	“That is , I would say, this flexible thinking, we have mostly one ways streets, in the industry in the mixed feed industry, where I had worked beforehand it was common practice to have mutual transactions, meaning that the farmers who bought our feed, we of course have bought their grains. That was taken for granted, but this is not in the case in this company way of thinking. “ [Translated from German]
VP MEA Interview (HR I, 2016)	“At some point, they will take over the local sales and we need to learn now and see how much risk we are ready to commit to.” [Translated from German]
VP MEA Interview (HR I, 2016)	“So we have to see, [Grafted Manager’s Name] see it from both sides, but he is telling me, others are doing it too, we tend to be the last one who are doing it, committing to the risk.” [Translated from German]
VP MEA Interview (HR I, 2016)	“What means risk, I mean during the Arabic spring out customer did not pay our invoice for over one year, and everyone went crazy but at the end of the day it was clear they will pay.”[Translated from German]
VP MEA Interview (HR I, 2016)	“Nowadays, we have to increasingly deal with increasing risks, the question is how can we mitigate these and that is only possible through knowledge. And that knowledge we can only acquire once we are in. That does not mean that we are going to switch everything that is not going to work in the long run. I do not think so, I am too cautious for that. But we have to acquire the knowledge how to do (convert local currencies) in a higher risk atmosphere” [Translated from German].
SVP Interview (AP I, 2016)	“We want to clearly monitor, which means we do not want to increase the risk unlimited, so what happens? Every shipment of each customer is proofed so that the amount of debt does not increase. And we have discussed a clear line how far we are ready to support our customers in the financing, how much credit we assign, and at a certain point they are only getting the product if they paid they old invoice first.” [Translated from German]
Managing Director for Finance Interview (MG I, 2016)	“I would say in principal we are strategically keen on entering emerging markets, because we are saying that there is a bigger growth and maybe there are some first mover advantages. [...] and that’s why emerging markets are playing an important part, and we are saying strategically we want to be in these markets “[Translated from German].
(Field notes, 2016)	On the last day in Cairo in July 2016, the VP MEA mentioned on the common return trip to Germany that the risk is very high and thus he was not in rush to push ahead. He explained that the situation had been equally bad before but stabilised again so that the import was running well again.

9.5.2 Experience-Based Feelings

Source	Representation Evidence: Quote, Participant -Observation, Documents
Grafted Manager Interview (AH I, 2016)	“But from the beginning I did not feel good about the project that it will go through. Because I knew the problems in Egypt is too much for the company to handle.”
Grafted Manager Interview (AH I, 2016)	“I thought the company is a risk averse company, because it is a German company and I know this company for many years. And I thought no one in this company will approve that we do this project.”

Grafted Manager Interview (AH I, 2016)	"Because I know [Company Name] is a risk averse company."
Grafted Manager Interview (AH I, 2016)	"Actually, what we are in today, I have foreseen one and half year ago. [...] the company decision to stop things [...] I thought the company is a risk averse company, because it is a German company and I know this company for many years. And I thought no one in this company will approve that we do this project. [...] because of the risk [...] Because I know [Company Name] is a risk averse company."
VP MEA Interview (HR I, 2016)	"this [access to knowledge] was the reasons for why I choose him [Grafted Middle Manager's Name] as the team leader for the Middle East and North Africa. I had to be weird to claim that I know how to navigate things better as a German- that is not possible. We need to believe in our employees and he [Grafted Manager's Name] knows us by heart, and he will need to learn too [...] but why should one of us try to understand the culture and the market, if he is from there and has this experience already? It would be stupid not to do it. [...] We have one in our team. We need to take advantage of the knowledge" [Translated from German].
Grafted Manager Interview (AH II, 2016)	"But ja if the company can't take the risk and have the courage to really go there and work and maybe also have the flexibility that if they have Egyptian money or Moroccan dinar or whatever of these local currencies, they can also do other things. For example, if you have 20 million Euro or 10 million Euro in EGP you cannot transfer outside. Maybe you can reinvest this money in something else, ja? Open a small factory for example or buy a, I don't know, do a fermentation factory in a free zone, buy make a bigger office buy your own warehouse, but this flexibility is not there also, so it contributes to having the problem not solved. "
Grafted Manager Interview (AH II, 2016)	"No one will say no, ja? And this is what makes me sometimes bored, ja? Because everyone will ah say yes, yes, but not now, when the situation improves, ja? So for example we have a decision to make the company, the Board already approved, because no one would say no, but okay we didn't do anything so what the importance of the decision now? Ja? I'm sure if in a couple of months' time, I mean if things are okay, we have to go back to the Board, but why back they already took a decision, yes? Ja. Then it is a decision that has no meaning in my opinion. Just a.. Because you will need to renew it anyway. Can I do the company tomorrow? Even though I have the decision?!"
Grafted Manager Interview (AH I, 2016)	<p>"I think deep experience on the different culture in the region. Start from Morocco and going through Libya Egypt, Syria Lebanon Iraq and ending up with Saudi Arabia and GCC. You need to understand what the general culture is uniting this region together and what are the differences in the sub-cultures that is dividing this region as well. I think this needs a lot of experience in the region. And also, not to forget Iran, which is considered Middle East North Africa, however, it's not purely in Middle East North Africa, ja? Or the Iranians themselves they don't see themselves as Arabs, and the Arabs do not see them as Arabs, as part of them. And this you will never know unless you really have a deep experience in the region.</p> <p>This is the first characteristic I think, the second characteristic is you need ehm – you need flexibility high flexibility, to be able to change, not to be rigid on a certain way of doing business, but to be flexible and flexibility will bring to you innovate and new ideas, especially with the ongoing challenges in that region. And usually the challenges in the MENA region I have never seen maybe there are some similar challenges in other parts of the world,</p>

	<p>but if we compare it to Europe never seen such challenges in Europe at least in the past thirty, forty years.[..]</p> <p>I mean Civil Wars, for example, financial limitations of foreign currency, the need to get foreign currency to pay for your goods, I think if you look here or compare to Europe, I mean you don't need to buy dollars to buy to import something, maybe you can even import from the US in Europe, companies will or suppliers will accept such thing. But you will never accept to sell in Egyptian Pound or Moroccan Dinar or Saudi Riya, this will never happen, so you will always in that region need either Euro or Dollar or to a certain extent British Pound to get your needs. And this creates a pressure always, because you will need to have higher supply of these currencies than your local currency, always. Second thing is flexibility. The third thing is patience, the fourth I think is courage."</p>
Grafted Manager Interview (AH I, 2016)	"I was back then, two months ago or when we went to Cairo, I thought I was not feeling good about the project will continue..."
Grafted Manager Interview (AH I, 2016)	"If we were a flexible company accepting to go to the black market buy foreign currency and do things differently, the project would have gone already good. But because knowing [Company Name] very well, I didn't think this project would have been approved. "But because knowing [Company Name] very well, I didn't think this project would have been approved."
Grafted Manager Interview (AH II, 2016)	"No, you can do a lot of things, but we are in a very risk averse company and we also have to take that into account."
Grafted Manager Interview (AH I, 2016)	"Like either trader in the market, buy from the black market this is the only option. But we don't want to do that - because of internal a laws and regulation."
Grafted Manager Interview (AH I, 2016)	"the only guarantee that you can be successful in such market conditions is that you stay with your historical customers, the customers you known for a long time, you know they are honest, they will always pay you, but they are facing tough conditions now. Maybe they delay a little bit in payment, but again you know them very well that they will pay you they want to pay you. it's not like they want to play games or, ja? If you get all in the market, you have passed a lot of challenges throughout this time period and you know how to deal with such sudden challenges. But if you are a new one, like [customer name] or [customer name], every new challenge to you takes time until you realise how to deal with it [...] And if there are tough foreign exchange conditions, it is better if you limit your business to three four customers or trader who are having good connections to financial institutions and to foreign exchange offices, where you can get foreign.. Where is better possibility to get foreign money than others. I like to always relate this to personal life. I have a wife, I am married since... 2001, so 15 years I'm married now. If I tell her I'm going to marry new lady now, she feels committed to me? Believe it or not business is like that because business is, means also, you deal with people. "
Grafted Manager Interview (AH I, 2016)	"It is like in a personal life, in personal life if you, if you have if you have financial constraints or have any problems in life, who will you go to for assistance? People you know for long time or new people? "
Grafted Manager Interview (AH II, 2016)	"No actually this idea [of external distributions] was also a long-time idea, and I had a discussion with MH before and I told him that for such a fragmented market like Egypt and with the challenges we see every day it is maybe better to choose three to four distributors. "

Grafted Manager Interview (AH II, 2016)	“For anyone working in the market, he has to have this this flexibility otherwise he will lose long term.”
Grafted Manager Interview (AH II, 2016)	<p>“Yeah, I only open my eyes and when I find an important info, I just pick it up. So I don’t go on searching for certain kind of information, because no information, you will not get any information telling you the market in Egypt is healthy or chicken prices are chicken producers are really doing good and making loads of money, you will never finds this kind of information, maybe you will find one piece of info telling you that there is a customer like [Customer name] who is investing into a [Production Name] factory in the next three four years they will invest 45 Million Euro in Jordan and this was written on feed info [newsfeed about Industry] for example.</p> <p>So, I picked up this information because it’s important for me, then in the [Trade Fair Name] when I met the guy from [Customer Name] I asked wo what about the investment, what do you see new in the region, why you make this investment?</p> <p>And he said, we want to modernise the factory, we want to concentrate the production with [customer name], we want to export to African, central African countries, so that is one example of how I get information.</p> <p>But I don’t go search like, okay what are the markets doing? You’ll never find this information, you either get info, specific info on a specific customer and this is by chance you would read it, with from public press, or from visitor report or from something and this you can translate into an effect of the market as well. “</p>
Grafted Manager Interview (AH II, 2016)	<p>“I’m kind of guy who is happy to work with lack of market information, I don’t find it big challenge, yeah? For me. Because if I lack market information, this means I create it. This is for me, this is my opinion. [...] Which means I create it according to my interpretation. If I have 50% of the statistics of what imports are going to Egypt, and from understanding the Egypt market I can create the other 50. It is better for me to live with that then only knowing okay I’m lacking 50%.</p> <p>I will not waste my time, time, you also have time here, so for example if I need the statistics of what Egypt did import of certain product or, for example if I need the statistics how much feed did Egypt produce in 2015 or 2016. And I went to the ministry and they ministry gave me some statistics related to 2008. They don’t have 2016, they don’t know. How am I going to have it? Will it be important for me? I need to create it myself, how will I create it? That depends on what I have.”</p>
Grafted Manager Interview (AH I, 2016)	“No you have to know something about Egyptian culture. They do not challenge foreigners, they look into foreigners are they are experts, and this what I played on. So, if they see a foreign character they think oh they don’t challenge them too much like they challenge someone like them. So, understanding both the Egyptian and German culture I thought this is a good idea of you [author] getting involved, because I knew they would not going to challenge you as they were challenging me.”
Grafted Manager Interview (AH II, 2016)	“I never draw the picture from the first piece of information I get. I always have a frame in mind I keep filling this frame like a puzzle, for me working on a project or any kind of like the [Name] Project or the Egypt Project, it is always a frame, you keep getting in puzzles and you put them together and you try to really make the picture, as you go in time you make big part of it

	<p>or part of it and then you keep going until at the end you finish the whole frame or you finish the picture. If you finish it in a way that you don't like. You will feel it, you will not feel good, it's a gut feeling okay now I think my understanding is wrong now. Always during project, ah maybe this puzzle does not fit here, or something is not correct here, you would know it. [...] Yeah, and if it is good you would feel satisfied."</p>
Grafted Manager Interview (AH II, 2016)	<p>"I would not make the decision with less information, but I would keep going until I, in my opinion, have a complete set of information. So if I feel I can't make the decision, I will not make it."</p>
<p>Documents E-mail</p> <p>(Grafted Manager, 29.09.2016)</p>	<p>I believe this step comes at a very crucial, important time and will sustain our strength in Egypt. Reasons for that:</p> <p>1) In light of the difficult economic situation and the severe shortage of foreign currency in Egypt, we might see more end users stopping importation by themselves and depending on strong reliable distributors or simply buy the Feed from local compounders instead of doing it themselves. Some end users might as well stop production completely which opens an opportunity for big integrators to control the market more.</p> <p>2) Distribution market in my opinion will become more relevant and essential. Those strong well-established distributors with professional logistics services and a sales team in place will have the highest opportunity to profit from the situation.</p> <p>3) As well [Market Segment] market will become bigger especially for Global accounts who have solutions to foreign currency problems from their branches abroad as more end users will prefer to buy final feed or concentrates instead of having the burden to buy raw material and produce feed for themselves.</p> <p>4) Having own distributors is a step which bring us in compliance with expected [Tax Regulation Name] changes as we need to have own internal or external distribution and since the internal distribution is still under question and risky to establish, the alternative solution is those external distributors.</p> <p>5) Our distribution partners will feel committed to us by these contracts and so we will benefit by using their sales teams in the market to send our Technical & value messages through and be able to defend our position against well-established distributors who work for [Competitor Name] and [Competitor Name].</p>
VP MEA Interview (HR I, 2016)	<p>"Yes, they [the Board] have told me, we want to employ someone who has the knowledge what we in the management do not have. So we are actively seeking to go ahead in the emerging markets in order to avoid lagging behind as we did in China 10 or 15 years ago. We want to enter ourselves. These are markets which we do not understand based on the daily business, so we have to let people manage it who are confident that they can handle it, willing to travel and go all long with the rest." [Translated from German]</p>
(Field notes, 2016)	<p>The VP MEA had explained that the availability of foreign currency had been equally bad before, but then the situation stabilised again so that the export business model was running well again. He also referred to his experience in building up the hub in South Africa where it took a while to get things running.</p>

SVP Interview (AP I, 2016)	“in the day to day process you are relying on your experiences and the feeling that you develop, that is hard to explain, but it just happens. If you are, I am 30 years in the industry, you have seen a lot of things [...] and things take similar trajectories. It does not have to be right to infer via analogies, but things tend to occur in certain schema, but these schemata are saved somewhere, and you can say okay that could be following a similar trajectory as some time ago in other places” [Translated from German].
SVP Interview (AP I, 2016)	“At the end it [the new regulation] that our ideas which we had for Egypt are being set back. We had the idea of the hub and to sell directly locally in local currency, but in a country with an unsafe currency you cannot sell, because we would not keep up with the valuation of our inventory. This means we will keep selling in USD until further notice [...] there are options and we have used this way successfully in [country name] over the last few years. We have there an external partner, just as an example, which uses the money he earns there in local currency to buy goods to be exported again and sold against hard currency. That would be as we would buying sheeps or something. But in fact, we are considering buying large amounts [...]. The issue is that the company which is producing [...] would like to be paid in USD too. What is left is to pay our local employees in EGP, which we are earning, but that would not be much volume we could sell. So we do not have much use for the EGP. A [Customer Name] is buying wheat or the like that is an option, but we would not necessarily want to do that” [Translated from German].
VP MEA Interview (HR I, 2016)	“Based on the history, {former company name} is involved since 1970s in Egypt and we are only exporting directly to the end customers. This was the standard business until 5-8 years ago. Then we had established the subsidiary and terminated the relationship with our agent, who was the father of [grafted Manager’s Name] who had the agency since 1978 and after 48 years we terminate him and paid him out and said we will do this now. This means agent without getting a commission, [Company Name] delivers to the end customer and they pay in USD to [Company Name] [...] next step in the evolution of market is not to only have an office but to sell actively, meaning to establish a warehouse to store the products and sell them in the local currency “[Translated form German].
SVP Interview (AP I, 2016)	“We are doing these activities, I remember a number of years ago in India, it was very similar, we had started with employing technical staff and were looking for local distributors how have carried out the business, and at some point we had said the margin the distributors are making we much rather obtain it ourselves. This was followed by sacking the distributors mostly when the product was short in supply, and they were supposed to get the product elsewhere we terminated the relationships. We had said guys you earned enough money from us, we are doing the distribution now on our own. And that’s how it will continue in most parts. Building up and preparing via technical staff, import the goods via local distributors who are carrying out the distribution and then at the right time switch to our internal distribution. That is in principal our classical way [...] That is in a few words how the process evolves, sometimes faster than other times. But now we have the problem we need to switch to internal distribution right away with a legal entity which makes this more difficulty “[Translated from German].
SVP Interview (AP I, 2016)	“For example, one of the most important arguments to get Greece through the internal decision-making was the development of Argentina. We have shown Argentina as an example to the board of Directors, to say look we

	how we have done it back then, we monitored it closely, and we great success with these customers and so on. Let's try to do it in a similar fashion here or are there any concerns where you would say the world is totally different nowadays. And that is a way to convince our colleagues [...] "You had mentioned methods, but specific methods are not known to me, so that one would say we will apply these methods, but it is relying on our experiences "[Translated from German].
Head of Strategy Interview (MC I, 2016)	"I do think that it is going to be important in the future to hire managers with Internationale experiences, experienced in the sense of having lived in these regions and not just on a business trip, to spend some time in the places "[Translated from German].
VP MEA Interview (HR I, 2016)	"In the current climate we need to deal increasingly with risks, the question is how can I mitigate these, how do we approach and reduce the risk and that's only possible through knowledge. And that knowledge we can only acquire once we are doing it. For me that is a learning process. We have experiences from other countries that does not have to be Egypt but we have one in our team. We are capable of the language we are a step ahead [...] we need to take advantage of the local know how" [Translated from German].
(Field notes, 2016)	Grafted Manager had worked in Egypt between 2004 and 2012, 8 years, created a comprehensive market report summarizing the market development from 1970 until 2012 to keep a memory of his market knowledge
(Field notes, 2016)	The grafted manager on the other side had not share the belief that the market conditions will change for the better, and therefore believed it was necessary to act with sufficient flexibility to be able to accommodate the volatile market environment
(Field notes, 2016)	The senior managers (SVP, head of business line) had openly stated that they were not as familiar with the host market conditions.
(Field notes, 2016)	The official documents only contained explicit information, but no implicit contextual knowledge which the Grafted Manager had shared with the author in confidence

9.5.3 Company Mentality

Source	Representation Evidence: Quote, Participant -Observation, Documents
Grafted Manager Interview (AH I, 2016)	"If at the beginning, I would have told them there is a lot of challenges don't do the project, they would think I'm killing the potential. They have to go through the process and then see it at the end. In other words, they have to crack into the wall to know that there is a wall here. If I would have told them, no don't go through this tunnel cause, there is a wall at the end, they wouldn't believe me, it's just the mentality."
Grafted Manager Interview (AH I, 2016)	"I think when we started with the project, you know, the mentality in the company is that you want you to do the project and then out of the project they want to see the outcome of a.. "
Grafted Manager Interview (AH I, 2016)	"It is not because they [Senior managers] are not knowledgeable, because the Germans always think don't kill any potential before you go through it, they want to try it first."
Grafted Manager Interview (AH I, 2016)	"I always receive these e-mails, ah we have this inquiry from this guy, please contact him. I tell you the truth I throw these e-mails in the rubbish. Because if I have an e-mail coming from Hotmail of a guy who wants to be our agent or who wants to buy product, I know it is a guy just sitting at home wanting

	to do anything. But I cannot say this to a German colleague because he would say no it is potential you should follow up and go with... I know the end result. I don't want to waste my time. But for him it is not a waste of time. This is, I have to go through and if I know at the end there is no potential I can close it. It is a cultural difference."
Grafted Manager Interview (AH I, 2016)	"Otherwise they would tell [VP MEA's Name] you do not know what you are doing."
Grafted Manager Interview (AH I, 2016)	"[VP MEA NAME] was stuck into this project like me, because once you transfer the information to the top guys, like the Board of Nutrition and care, you cannot back up. It is very difficult to back out. So you have to go all the way until you prove to them that this is not working out. "
VP MEA Interview (HR I, 2016)	"But they have signalled from the beginning yes we will support the project, we are on board. But it is not finished yet, just because the Board is saying go ahead, we will support you."
VP MEA Interview (HR I, 2016)	"Nowadays, we have to increasingly deal with increasing risks, the question is how can we mitigate these and that is only possible through knowledge. And that knowledge we can only acquire once we are in.[...] due to the associated risk, the company will not switch [million value in Euro] into products to be sold, but we will do it step by step. And if it does happen and the value decreases, and customers are not able to pay. For instance, in Algeria, there are large companies which have millions of naira and the official course is 200 and the unofficial course is 350-400, but even that they cannot get out due to the fact that the central bank does not provide dollars. They are sitting there and looking how the large amount of money, which they wanted to bring to South Africa or Europe, is melting away - sssssssssssst gone. You need nerves, a lot is depreciated, one has to learn that, there are probably other smart ways". I don't know yet, maybe we say we have outstanding invoices and we are selling these to others who are willing to incur more risk, than us. Some sort of derivative. Why not?! But no will do that, we will have to get it from the exchange market. Is it possible to sell outstanding invoices with a discount for the risk? Yes that it possible. But no one has thought thus far yet. And I will only do it once it is an actual problem. People are then listening better. If you are talking about a possibility which is far way from the daily business, according to my experience you won't get answers. When Shits hits the fan, and we need a solution then everyone is more on board. That really true." [Translated from German]
VP MEA Interview (HR I, 2016)	"But there is always a big discussion whenever he had a bad month, but we know business is not without risks and I cannot say to 100% that we are always making money. But this is a culture we need to learn in Germany – it really bad if we are invoicing in Rand and the Rand moves, in November it suddenly plummeted and the prices which arrived here – there were not [amount] Euros but [amount] Euros, there was madness here. The price was too low compared to the global price, but the problem it was the price for the quarter and due to the currency deprecation. We had said that will be equalised the next quarter, but they [controllers] said that is this is not how it works. We had hedged the course twice but, yet it is not guaranteed. Now in this quarter the RAND has improved, and we are earning much higher prices, but that interest no one. So, it is all a matter of nerves."
VP MEA Interview (HR I, 2016)	"Everything can be ruined. But that is not a reason for us to not pick up the task, but we are going to carry it out and see if we can find someone who is willing to do that." [Translated from German]

VP MEA Interview (HR I, 2016)	"We tend to be the last one who are doing it, committing to the risk. But if I have local employees, I have an office for 30years, we are having know-how, we have the [Grafted Manager's Name] as know how we know the region, if not now what should we wait for?" [Translated from German]
National Sales Manager Interview (MHII, 2016)	"At the same time, we might be blamed for not entering enough competition data compared to last year on our competitors. [Competitor Name] cannot just sell 1000 MT because they sold 200 MT last year. Yes, but if the whole market decreases and this is what no one will accept. Nobody considers. You see my point?!"
SVP Interview (AP I, 2016)	"what do you think what type of appeals I get if the sales are not meeting the agreed goals. " [Translated from German]
Managing Director for Finance Interview (MG I, 2016)	" We have supported the project based on the prospect to be able to serve and penetrate the market to gain a higher market share" [Translated from German].
(Field notes, 2016)	VP MEA: "We do not know what challenges lie ahead but we are confident that we can handle the challenges." [Translated from German]
(Field notes, 2016)	The decision-making processes in the company were based on explicit information and knowledge in order to be transparent of the underlying reasons for the decisions

9.5.4 Legal Barriers

Source	Representation Evidence: Quote, Participant -Observation, Documents
Grafted Manager Interview (AH I, 2016)	"No. As you saw we will get the board resolution, but at the end we will not do the company at the moment. We have to postpone until Q1 2017. Until we revise again the situation. Because as a company with compliance and antitrust laws, we cannot go to the black market and buy the dollars, you'll have to get it from the bank. No banks will give us the dollars unless we are classified as trader or as distribution. "
Grafted Manager Interview (AH I, 2016)	"Like either trader in the market, buy from the black market this is the only option. But we don't want to do that - because of internal a laws and regulation."
Grafted Manager Interview (AH II, 2016)	"I would go for the company, and I would just buy the foreign currency from the black market. [...] Not a lot easier, but we would cope with the challenges and we would face some challenges maybe if we would buy the foreign currency form the black market it would have taken longer time, but I would have been okay with the time, but financial controller would be over my head."
Grafted Manager Interview (AH I, 2016)	"We found one bank called 'The bank' in Frankfurt, it is an Egyptian bank, but they said we work under German laws because we are in Germany, so we cannot help you"
Grafted Manager Interview (AH II, 2016)	"First of all, we wanted to do this workshop in [holiday vacation location]. And we wanted to pay, it is a gesture if you make a workshop in another country, in another city, it is a gesture, and it is expected from the customer that you pay for the flight tickets for them to go to [holiday vacation resort name]. The German compliance told us no, this is bribe. You see the difference? (AHI) "And then even when we wanted to do it in Cairo, we send the agenda, and I think the original agenda had coffee break and lunch times one hour and half, coffee break half an hour. And they said, no, no half an hour is too much - this is luxury, can you imagine? They even send me e-mail that I have to reduce the coffee break into 15

	minutes. And they said the dinner for two hours is too long, this means you entertain your customers, you should only make it one hour. I mean, people in Middle East in Egypt they like to spend more time over food, it is not a mission coming to eat dinner and go... These kinds of differences of course they demotivate you to do events.”
VP MEA Interview (HR I, 2016)	“A type of derivate – why not?! But no one will do that, we will have to get it from the money market [...] We have to do it now due to the fact that our competitors are doing it, although as soon as the emergency availability of the foreign exchange eased again, business was going great again” [Translated from German].
VP MEA Interview (HR I, 2016)	“where I see the problem, which I also see in South Africa, the currency we can secure and hedge, that is not a big issue, but how much risk is the company willing to enter. How can we secure our exposure? There is an internal guideline in the company stating that the mother has to protect the subsidiary of any damages and risks” [Translated from German].
Grafted Manager Interview (AH I, 2016)	“It affects it a lot, yeah. I think compliance is important, but it is also important to adapt compliance to the different countries and regions and this is what we are not tolerant enough to do in [Company Name]. We always want to apply compliance as we know it from Germany. Maybe it is foreseen as a bribe. In Egypt or in Middle east it is not bribe it is only a gift. And here is the non-tolerance I’m talking about.”
Grafted Manager Interview (AH I, 2016)	“Yeah. For example, when we wanted to do the seminar in Egypt we had a lot of talks with the lawyers. We even send, I don’t know if you were in these e-mails, I don’t think so, even constructing the agenda for the workshop. First of all, we wanted to do this workshop in [Name of Location in Egypt]. And we wanted to pay, it is a gesture if you make a workshop in another country, in another city, it is a gesture, and it is expected from the customer that you pay for the flight tickets for them to go to [Name of Location in Egypt]. The German compliance told us no, this is bribe. You see the difference? “
National Sales Manager Interview (MH II, 2016)	“ehm well for us in Egypt we call it more or less a black market or a parallel market, a parallel market is I have taken the words form recent emails of [Grafted Manager’s Name], it is more compliant, let’s say than black market because ... but black market means for us anything out of the official bank rate. This is what we mean with black market [...] You can still have eh, a legal parallel market, but you are still doing a black-market business, I mean you only report, you traded 100 000 USD but at the fact you did 2 or 3 million. But you only report 100 000 because that is what you will get taxed for and judge that you are complaint with the central bank”
National Sales Manager Interview (MH II, 2016)	“This is the main difficulty ehm because all offices, certified offices for parallel market exchange offices, they almost closed the offices, and they closed the telephones lines and now the parallel market is moving the official site to the home side or backyard side. I mean instead of having the black market or the parallel market in certified official offices you are moving this to a completely shadow market being done at the offices or the backyard you cannot control. So, you are making, instead of controlling you are losing control by putting more restrictions. [...] yeah they had official offices but they are not committed to what the central banks wants them to do. I mean they need, those offices they need to maximise exchange rate 5 cents over official bank rate lest say. Which they cannot do because they have more demand than this, and they buy more expansive and they sell more expansive a well.”

National Sales Manager Interview (MH II, 2016)	“Let’s say during our previous interview there was no kind of limitation from the government or from police or banks about where you are getting the dollars. They all know it is from parallel market. Now it is part of the dynamics we have a new regulation has been taken from the government and central bank if you caught holding dollars you might be sent to jail for minimum of 2 years. So, this is even contributing to the difficulty of finding dollars from the parallel market because company owners and even employees working for them who used to facilitate getting the dollars are afraid of getting the dollars and to be caught. Because if they catch you with any amount of dollars the money will be kept, so you are subject to lose your capital, and you are subject to be sent to jail. So, this is contributing dramatically to the situation.”
Documents Email (National Sales Manager, 24.08.2016)	“Please note that trading dollars in the black market now is being aggressively restricted by the government, and recently this week a presidential decision has been taken to change the law to be more aggressive towards those who are keeping or trading dollars in black markets.”
(Field notes, 2016)	During the office meeting in July 2016, [General Manager’s Name] said that when he asked the bank if they can give USD to [Company Name] for the transfer pricing they said that they cannot but give USD but recommend selling in USD to the customers, so they can get the foreign currency on the black market.
(Field notes, 2016)	During the office meeting in July 2016, the managers commented that the black foreign exchange market is increasingly used by firms (customers and Chinese competitors) to get their foreign currency.
SVP Interview (AP I, 2016)	“Based on that, we have to decide whether [Company Name] line is maybe a bit too strict, because we are making very strict guidelines” [Translated from German].
SVP Interview (AP I, 2016)	[...]“the question is to what extent does the [Company Name] feels obliged to find these things out in advance, but this is handled with intensive care” [Translated from German].
SVP Interview (AP I, 2016)	“There is a certain limit, and we agree with the compliance people that in principle there are, how I can say that, things in these regions which for instance are seen as hospitality and are taken for granted but are misunderstood under certain circumstances. A simple example was the timeframe for a meeting in Egypt. There was a conflict a few months ago, where we had said that Egyptians customers like to spend a lot of time for eating and conversations, which is not common for us. Because there is an evaluation of the so-called leisure time in order to get the approval for events” [Translated from German].
SVP Interview (AP I, 2016)	“I would put it like that, there is a line, and we agree with the compliance people that in principle, how should I say, that certain things which are seen as hospitality in the regions, taken for granted, which under certain conditions are faced with misunderstandings. [...] These are points which, I have to admit, we need to look closer to the conventions in the respective countries and this leads to conflict situations [...] But overall there are cultural differences in those countries which we are partly struggling with, that is true” [Translated from German].
VP MEA Interview (HR I, 2016)	“We need to learn this [how to deal with the fluctuations] but in this company it will be difficult, and the solution will not come from the

	controlling. The unknown is difficult to deal with more so than for sales people" [Translated from German].
VP MEA Interview (HR I, 2016)	"We need to trust our employees, and he knows by heart, but we will have to learn too –he had not known about the EGP not being freely convertible. But we are rarely getting the opportunity – we had asked an Egyptian bank if they can secure the credit, but it is only possible to an extent cause they do not have access to [foreign currency] in Egypt "[Translated from German].
(Field notes, 2016)	VP MEA had stated that the grafted manager had a local perspective and ad not anticipate the FX as an issue as he did not know it was not freely convertible.
Market report Internal performance review (Company 2016b)	Restrictions of foreign currency availability throughout 2015 and 2016 (January, 2016) Restrictions Foreign currency: Central Bank limit exchange to 50 000\$ per month per company Lack of foreign currency reserves in central bank
Document E-mail (Grafted Manager 22.09.2017).	According to my knowledge most importers if not all in Egypt buy their foreign currency needs from the parallel market to banks. The rate of EGP vs USD in this parallel market is 50% more.
Lohade and Kholaf, (2016); Mounir, (2016), Feteha and Namatalla, (2016)	Buying foreign currency on the black market was illegal to fight the increasing inflation and lack of foreign currency, but common practice in Egypt. Violators can face up to 10 years of prison and fines of up to (563 076 USD)

9.5.5 Individual Perceptions

Source	Representation Evidence: Quote, Participant -Observation, Documents
(Field notes, 2016)	If there is a negative change, Germans assume it is for a short while and will change for the better
Grafted Manager Interview (AH I, 2016)	"It [lack of foreign currency] is real challenge for me, but I know how to deal with it."
Grafted Manager Interview (AH II, 2016)	"I think we can do a lot, but the problem is courage and flexibility."
Grafted Manager Interview (AH I, 2016)	"If we were a flexible company accepting to go to the black market buy foreign currency and do things differently, the project would have gone already good. But because knowing [company name] very well, I didn't think this project would have been approved. "
Grafted Manager Interview (AH I, 2016)	"Yes - same goes with a company like [Company name], for example. Here are also... [Company Name] is a trading company in Egypt but they also have soya plant in Egypt, so they have both classifications end user and distributor and this flexibility makes them have access to foreign currency better than if they are only classified as a distributor. And so if you want to have access to foreign currency to have small production in Egypt besides being distribution. Like for example if we do repackaging of our products, or we maybe make a mix of [ingredients] and we invent a new product

	having a mix of [ingredients] then we would be classified as a producer. But within [Company Name] to make such proposal and change takes long time, maybe another two years in the project life and then the market would have changed completely. “
Grafted Manager Interview (AH II, 2016)	“No, you can actively do a lot of things, but we are in a very risk averse company and we also have to take this into consideration. So, for example doing a local warehouse, this is project which we could do, not only in Egypt but also in other countries. But ja if the company can't take the risk and have the courage to really go there and work and maybe also have the flexibility that if they have Egyptian money or Moroccan dinar or whatever of these local currencies, they can also do other things. For example, if you have 20 million Euro or 10 million Euro in EGP you cannot transfer outside. Maybe you can reinvest this money in something else, ja? Open a small factory for example or buy a, I don't know, do a fermentation factory in a free zone, buy make a bigger office buy your own warehouse, but this flexibility is not there also, so it contributes to having the problem not solved. I think we can do a lot, but the problem is courage and flexibility we go back to the reasons of success, ja?”
Grafted Manager Interview (AH II, 2016)	“No we are a risk averse company and very rigid, because all the manager who have been there never they always wanted to work the easy way, which was the available way.”
Grafted Manager Interview (AH II, 2016)	“It is a risk averse company. [...] No we are a risk averse company and very rigid, because all the manager who have been there never they always wanted to work the easy way, which was the available way.”
Grafted Manager Interview (AH II, 2016)	“I think this company can be much better, but this company... the internal challenges are always very high, to also ehh, for anyone who has entrepreneurial to pursue with that. Some people may say why should I show these entrepreneurial skills, just kill it, because everyone around me wants me to kill it.”
Grafted Manager Interview (AH II, 2016)	“I think it's a 50/50 chance as long as the company has the same thinking. Because even if the situation eases and you will have foreign currency available, we will be asked to update the project again documentation and make a risk assessment again and to make all these kinds of analysis and assessments which will take us another maybe half a year. And by that time if something changes maybe someone will say stop it and don't do it again.”
Grafted Manager Interview (AH II, 2016)	“or because of the internal challenges, the challenges are high, also knowing the background of the company.”
Grafted Manager Interview (AH II, 2016)	“I would go for the company, and I would just buy the foreign currency from the black market. [...] Not a lot easier, but we would cope with the challenges and we would face some challenges maybe if we would buy the foreign currency from the black market it would have taken longer time, but I would have been okay with the time but financial controller would be over my head.”
VP MEA Interview (HR I, 2016)	“But we (Grafted Manager Name and VP MEA Name) need to see how much risk we are willing to incur and what do we learn from that” [Translated from German].
VP MEA Interview (HR I, 2016)	“So nowadays we need to increasingly deal with the risks and the question is how can we mitigate these, and that is only possible via knowledge. And that knowledge we can only gain once we are in. For me this is a learning process” [Translated from German].
VP MEA Interview (HR I, 2016)	“we have to see how much risk we are willing to incur [...] due to the associated risk, the company will not switch [million value in Euro] into

	products to be sold, but we will do it step by step” [Translated from German]
VP MEA Interview (HR I, 2016)	“But if I have local employees, I have an office for 30years, we are having know-how, we have the [Grafted Manager’s Name] as know how we know the region, if not now what should we wait for?” [Translated from German].
VP MEA Interview (HR I, 2016)	“I would put like that, the region is new, new for our company, to work in our perception volatile environment, always with new unknown surprises, that is new. For the people who live there it is not – it is normal?” But we need to learn that – in this company it will be difficult, and the solution will not come from the controlling, because they are always scared” [Translated from German].
VP MEA Interview (HR I, 2016)	“we need to convince the Board, and we need to point out the involved risk, and [SVP Name] clearly said that we do not know if the shareholder will be accepted and the risk with the currency remains.” [Translated from German]
VP MEA Interview (HR I, 2016)	“What means risk?! I mean during the Arabic spring out customer did not pay our invoice for over one year, and everyone went crazy but at the end of the day it was clear they will pay” [Translated from German].
SVP Interview (AP I, 2016)	“I would say that the Egypt Office, I take Egypt as an example, it has already a certain size and even if we do not do any local business, they have cars and so on which is all paid in EGP. These EGP I could theoretically earn directly in the country and then we do not need to send euros down and convert these in EGP. That is a possibility, though with clear limits, but I would say that it is possible to send a few containers [Product Name] to sell these locally without needing to convert the currency.” [Translated from German]
SVP Interview (API, 2016)	“the main reason [for postponing the hub project] was that we were informed through our connections to the Egyptian Government that the [Foreign Direct Investment Regulations] were supposed to be changed again [...] And that would be very unfortunate if one is in the establishment process. We had originally said les establish the new company in Egypt, even if we can only use it to a very limited extent to be ready once there are better conditions and once there are more dollars are readily available to convert the EGPs. At the moment there are increasing signs that the regulations and legislations are being reviewed in its entirety. So we are saying, okay, that half a year is not worth it, we rather await what the new regulations will postulate, maybe the 0.01% will be taken out, then it would be easier for us, since once we have established the company, and I personally doubt that we will find a shareholder for 0.01% but rather for 1% or around that. Then we would have done it and four weeks later the new law would state that you do not need that anymore- and what should we do then? Do you understand me?! Since something is being cooked we said we will postpone it by half a year. Especially since we are not able to carry out larger business transactions only until we covered the Egyptian expenditures due to the foreign currency exchange problems [Translated from German].
SVP Interview (AP I, 2016)	“At the end of the day it [lack of foreign currency] leads to the postponement of our ideas for Egypt. We had the idea to establish the hub and to sell directly in local currency, but in a country with such unsecure currencies we are not able to sell since we are not able to evaluate our own assets in time. This means we will continue to sell in USD and that means in principal we need a bank guarantee a letter of credit or re are selling against cash in advance, or we are selling to an international

	<p>distributor which has other means to acquire and convert the local currency in USD or also Euros , there are options and this was is how we were able to do business in Iran over the past years. For instance, we have there an external partner which uses the local earnings to buy goods which are re-exported and sold against hard currency. That would be as we would buying sheep or something similar. In fact, we are considering buying large amounts of methanol in the country. The issue is that the company which is producing methanol also would like to be paid in USD and not in ...What is left is to pay the local salaries of our employees but that would not allow us to sell a lot of volume. So, we do not have much use of the EGP. A [Competitor name] they are buying wheats or similar things, that could be a possibility, but that is something which we might not necessarily want to do [Translated from German].</p>
(Field notes, 2016)	<p>VP MEA said that he believed the situation will get better again at the end of the observation period [Translated from German].</p>
(Field notes, 2016)	<p>During the internal meeting in Cairo in July 2016 he had added that the increasing lack of foreign currency and lack of know-how of how to do it, in Combination with the increasing competition which does have solutions prevented the establishment for the time being.</p>

9.6 Second-Order Categories

9.6.1 Managerial Attitudes

9.6.1.1 Grafted Manager's Attitudes

Source	Expressed Attitudes of Grafted Manager	Value Code
Grafted Manager Interview (AH I, 2016)	"But from the beginning I did not feel good about the project that it will go through. Because I knew the problems in Egypt is too much for the company to handle [...] But because knowing [Company Name] very well, I didn't think this project would have been approved. [...] I thought the company is a risk averse company, because it is a German company and I know this company for many years. And I thought no one in this company will approve that we do this project."	A: market too much to handle
Grafted Manager Interview (AH I, 2016)	"To tell you the truth, I wasn't really in favour of the project, but I got stuck into, because of the [strategy name] workshop. And then the idea came. But from the beginning I did not feel good about the project that it will go through. Because I knew the problems in Egypt is too much for the company to handle [...] I thought the company is a risk averse company, because it is a German company and I know this company for many years. And I thought no one in this company will approve that we do this project."	A: did not feel good A: Risk averse company
Grafted Manager Interview (AH II, 2016)	"No, we are a risk averse company and very rigid, because all the manager who have been there never they always wanted to work the easy way, which was the available way."	A: risk averse company
Grafted Manager Interview (AH II, 2016)	"But ja if the company can't take the risk and have the courage to really go there and work and maybe also have the flexibility [...] but this flexibility is not there also, so it contributes to having the problem not solved "	A: lack of flexibility
Grafted Manager Interview (AH II, 2016)	"you need flexibility high flexibility, to be able to change, not to be rigid on a certain way of doing business, but to be flexible and flexibility will bring to you innovate and new ideas, especially with the ongoing challenges in that region. And usually the challenges in the MENA region I have never seen maybe there are some similar challenges in other parts of the world, but if we compare it to Europe never seen such challenges in Europe at least in the past thirty, forty years."	A: need to be highly flexible to deal with unique challenges
Grafted Manager Interview (AH II, 2016)	"Not a lot easier, but we would cope with the challenges and we would face some challenges maybe if we would buy the foreign currency form the black market it would have taken longer time, but I would have been okay with the time, but financial controller would be over my head."	A: challenges are manageable, but firm internal policies created challenges
Grafted Manager Interview (AH II, 2016)	"I think this company can be much better, but this company... the internal challenges are always very high, to also ehh, for anyone who has entrepreneurial to pursue with that. Some people may say why should I show these entrepreneurial	A: company can do better, but too many internal challenges

	skills, just kill it, because everyone around me wants me to kill it.”	
Grafted Manager Interview (AH II, 2016)	“ja - or because of the internal challenges, the challenges are high, also knowing the background of the company.”	A: internal challenges prevent to address the challenge
Grafted Manager Interview (AH II, 2016)	“No one will say no, ja? And this is what makes me sometimes bored, ja? Because everyone will ah say yes, yes, but not now, when the situation improves, ja? So, for example we have a decision to make the company, the Board already approved, because no one would say no, but okay we didn’t do anything so what the importance of the decision now? Ja? I’m sure if in a couple of months’ time, I mean if things are okay, we have to go back to the Board, but why back they already took a decision, yes? Ja. Then it is a decision that has no meaning in my opinion. Just a.. Because you will need to renew it anyway. Can I do the company tomorrow? Even though I have the decision?! “	A: decision-making is meaningless
National Sales Manager Interview (MH II, 2016)	“it [Free-zone] is much more flexible, and you do not have to wait for payment, I mean leading eh shipping time. Free-zone is already there, but you have to take action apply for a request to assign a certain area for you, even if you want to make a re-bagging because the current regulations that we have to be processing or a manufacture or they give priority to this getting the methionine in jumbo bag and repacking it into 25 kg bags is considered as manufactures but you know you need to have the eagerness and the challenges to do it but stepping back and saying no one will allow us to buy dollars and that’s it closing the subject it means going back to zero.”	A: lack of eagerness
National Sales Manager Interview (MH II, 2016)	“I consider myself having the risk of not losing customers, because we are not able let’s say, or we are not enough flexible”	A: lack of flexibility

9.6.1.2 Senior Managers Attitudes

Source	Expressed Attitudes of Senior Managers	Value Code
VP MEA (HR I, 2016)	“to find the local shareholder for 0.01% - what should he do-be quiet. I have written he must be able to read and write, but he should not have any expectations to benefit from the profit, because we have the transfer price system which means we are only making limited profits there. One wants to optimise tax, which is not in the interest of the local shareholder, he will seek to earn money. With 0.01% - not at all. So, we have to find someone who is willing to do that “[Translated from German].	A: to not share profits with local partner
VP MEA (HR I, 2016)	“The Egyptian are going to negotiate with us, it will not stay at 0,01%, if a minister is stepping in front then we can forget it – then everything is possible. It all can go wrong. But that is not	A: try and see if it works

	a reason to slack, but we are going to try it and see if one is willing to do it. [...] If the % will be above a certain limit it can be that the project is not being implemented" [Translated from German].	
VP MEA (HR I, 2016)	"I mean what means to incur risk?! – during the Egypt spring and in Syria our customer did not pay their bills for more than one year, and everyone went crazy, but ultimately it was clear that they are going to pay" [Translated from German].	A: willing to deal with financial risk
VP MEA (HR I, 2016)	"So, we have to see, [Grafted Manager's Name] see it from both sides, but he is telling me, others are doing it too, we tend to be the last one who are doing it, committing to the risk. But if I have local employees, I have an office for 30years, we are having know-how, we have the [Grafted Manager's Name] as know how we know the region, if not now what should we wait for? Alternatively, we can surrender it at [Distributors Name], or a worldwide distributor to do it. Just that in my view we will miss out on the margin and the other is earnings the money" [Translated from German].	A: confident inability to learn how to make higher margins A: reluctant to surrender the margin
VP MEA (HR I, 2016)	"I would put like that, the region is new, new for our company, to work in our perception volatile environment, always with new unknown surprises, that is new. For the people who live there it is not – it is normal?" But we need to learn that – in this company it will be difficult, and the solution will not come from the controlling, because they are always scared. Scared, in principal being uncomfortable based on the unknown" [Translated from German].	A: need to learn how to deal with unknowns
VP MEA (HR I, 2016)	"We need to learn how to do this in a more risky atmosphere. What means risk?! I mean during the Arabic spring our customer did not pay our invoice for over one year, and everyone went crazy but at the end of the day it was clear they will pay [...] but this means that we had up to [amount] Euro outstanding invoices in our daily business" [Translated from German].	A: We can learn to cope with risks
VP MEA (HR I, 2016)	"Nowadays, we have to increasingly deal with increasing risks, the question is how can we mitigate these and that is only possible through knowledge. And that knowledge we can only acquire once we are in. That does not mean that we are going to switch everything that is not going to work in the long run. I do not think so, I am too cautious for that. But we have to acquire the knowledge how to do (convert local currencies) in a higher risk atmosphere" [Translated from German].	A: need to learn how to deal with currency risks
VP MEA (HR I, 2016)	"A type of derivate – why not?! But no one will do that, we will have to get it from the money market" [Translated from German].	A: will not be approved
SVP Interview (AP I, 2016)	"A [Customer Name] is buying wheat or the like that is an option, but we would not necessarily want to do that" [Translated from German].	A: bears too much risk and does not want to do that
VP MEA (HR I, 2016)	"How much risk are we ready to commit to? It is best to take a certain amount in our hands and one will say let's include this amount into the prices. Following the motto, we are ready to risk half a million but then increase the margins. But that will depend on the competition, but ultimately of course it has to be included in the margin. [...] in an ideal case we will have to include it in the margins" [Translated from German].	A: incurring risk means expecting higher margins

VP MEA (HR I, 2016)	<p>“But our global accounts are already doing it. At some point, they will take over the local sales and we need to learn now and see how much risk we are ready to commit to. I don’t know if we have done it in countries where the currency cannot be hedged. Others are doing it in Nigeria where it is even worse. But we are a bit late. There are solutions, maybe to hedge it via gold or something – I don’t know. But the real question is am I risking €100 000, €500 000 or €5 million. That is the real question” [Translated from German].</p>	A: reluctance to commit to the financial exposure risk
SVP (AP I, 2016)	<p>“Partly, taking the example Egypt, there are from our view incomprehensible Regulations, we can also include Jordan, where we are not allowed to establish a new entity which is 100% owned by the [company Name] ... It is difficult for us because we have to work with a local partner, which we actually would like to avoid. To say it bluntly, because it only causes problems for us. You have to divide the profits, and the partner will be attributed a share of our profits etc” [Translated from German].</p>	<p>A: avoid local shareholding partner</p> <p>A: incomprehensible regulations</p>
SVP (AP I, 2016)	<p>“Bluntly that is a no-go for me. Then we are not going to do that, then we are rather going to work with an external distributor. I will not surrender 50% of my margin to an external partner which does nothing in the business [...] these are examples of barriers which are happening frequently, that local companies have to be included in the establishment of new entities with a certain %. In Egypt, it is only 0.01% but who is going to do that?! It is the minimum requirement not the amount set, now we have to find someone who is willing to enter the entity for 0.01% for nothing so to say” [Translated from German].</p>	<p>A: no-go sharing profits</p> <p>A: sceptical towards 0.01%</p>
VP MEA Interview (HR I, 2016)	<p>“But if we are having an office for over 30 years, and employees, so we have know-how, we have [Grafted Manager’s Name] as know-how, if not now-what should we wait for? Then we can give it away to a global distributor, but in my opinion, we are losing out on the margins, and the other one is earnings the money “[Translated from German].</p>	A: we have the know-how
VP MEA Interview (HR I, 2016)	<p>“Our competitors are doing that themselves or via agents and distributors. There are always good and bad times. But if there are agents then they will have a higher margin compared to us as the original manufacturer, either we take a higher margin or higher market share, but it has to bring an advantage” [Translated from German].</p>	A: we are missing out on the higher margins if we do not do it
SVP Interview (AP I, 2016)	<p>“At the end it [the new regulation] meant that our ideas which we had for Egypt are being set back. We had the idea of the hub and to sell directly locally in local currency, but in a country with an unsafe currency you cannot sell, because we would not keep up with the valuation of our inventory. This means we will keep selling in USD until further notice” [Translated from German].</p>	A: devaluation of currency as reason for delay
SVP Interview (API)	<p>“Yes, yes we were aware of the foreign currency problems. Thus, for instance, is one of the reasons why the warehouse project is hampered. The currency was and is now, an unsolved issue, and there are announcements that the regulatory framework going to be changes again, which for us is another reason why there are delays. What these countries</p>	A: emerging countries do not understand the needs of western firms to attract foreign

	often do not understand, is that western partners need a relative strong safety in order to make investments even for the establishment of such an entity. We do not want to do that for two weeks, but that should be a permanent part of the business, and if we are not able to do that or have the feeling that will break together tomorrow, then we are not bothered to do all the work today. And that is what many do not understand, that we need a certain consistency and reliability" [Translated from German].	direct investment
Managing Director for Finance Interview (MG I, 2016)	" We have supported the project based on the prospect to be able to serve and penetrate the market to gain a higher market share. That is why we have supported it although we noticed that, which we also observing for other clients who we are serving in Egypt that we have to wait very long for out money until they are able to convert their EGP somehow into hard currency. That is a real problem" [Translated from German].	A: customers struggle to convert local currency is the issue
(Field notes ,2016)	On the last day in Cairo in July 2016, the VP MEA mentioned on the common return trip to Germany that the perceived risk is very high and thus he was not in rush to push ahead. He explained that the situation had been equally bad before but stabilised again so that the import was running well again. It seemed as he wanted to approach the project cautiously. He also referred to his experience in building up the hub in South Africa where it took a while to get things running.	A: reluctant to incur the foreign currency risk
(Field notes ,2016)	VP MEA: "we do not know what challenges will be ahead, but we are confident that we can manage them "[Translated from German].	A: confident towards their ability to meet challenges

9.6.2 Managerial Beliefs

9.6.2.1 Grafted Manager's Beliefs

Source	Grafted Manager Individual Beliefs	Value Code
Grafted Manager Interview (AH I, 2016)	"[VP MEA Name] said okay better they stop the activities, because no one wants to say okay go ahead and then we are stuck with some problems."	B: senior managers are reluctant to approve project if any risk involved
Grafted Manager Interview (AH I, 2016)	"It is not because they are not knowledgeable, because the Germans always think don't kill any potential before you go through it, they want to try it first."	B: senior managers are keen on exploring opportunities and believe in trying it out
Grafted Manager Interview (AH I, 2016)	"I always receive these e-mails, ah we have this inquiry from this guy, please contact him. I tell you the truth I throw these e-mails in the rubbish. Because if I have an e-mail coming from Hotmail of a guy who wants to be our agent or who wants to buy product, I know it is a guy just sitting at home wanting to do anything. But I cannot say this to a German colleague because he would say no it is potential you should follow up and go with... I know the end-result. I don't want to waste my time. But for him it is not a waste of time. This is, I have to go through and if I know at the end there is no potential I can close it. It is a cultural difference."	B: senior managers want to explore each potential opportunity to maximise the profits even though the manager knows from experience that these opportunities are not fruitful
Grafted Manager Interview (AH II, 2016)	"I'm also kind of a guy who is getting bored easily when I know things are not going to work. I don't like to go with a certain subject topic for five years, ja, keep pushing it and at the end I know it's not working. I like to maybe think of something else better, ja? [...] I mean it also takes a lot of your energy and it's not only a matter, we are not robots of course, it takes a lot of your energy and your health, so why would you fight, I mean I'm a person who would say, why would I ruin my health for this company to be better.[...] if I have too many challenges in something I find another way but why would I ruin my health?"	B: if the expansion project encountered too many challenges the grafted manager believed that it was appropriate to be flexible and try alternative options rather than keep trying the outset approach
Grafted Manager Interview (AH II, 2016)	"To change things radically, or always, it's like, you need to have entrepreneurial skills or entrepreneurial spirit, otherwise you will not have the motive to change things [...] I think this company can be much better, but this company... the internal challenges are always very high, to also ehh, for anyone who has entrepreneurial to pursue with that. Some people may say why should I show this entrepreneurial skill, just kill it, because everyone around me wants me to kill it [...] I'm not blaming the company or anything. I'm only saying that the culture of this company or mostly German companies, in my opinion, are	B: company culture is not motivating to act in entrepreneurial manner to be innovative

	<p>not motivating not like if you compare to American companies or other kind of companies.</p> <p>So, it kills somehow these entrepreneurial skills to get to the top, ja? And it kills also people to be motivated to fight really to the last minute, you can fight, everyone is fighting I'm sure for his company, but to what extent? You always stop at a certain point, ja? And you say more than that no one will appreciate it. No one wants to feel ja okay I'm fighting for the company, but you know no one is appreciating it. "</p>	B: firm is not motivating to act with entrepreneurial skills
Grafted Manager Interview (AH I, 2016)	<p>"And so if you want to have access to foreign currency to have small production in Egypt besides being distribution. Like for example if we do repackaging of our products, or we maybe make a mix of [ingredients] and we invent a new product having a mix of [ingredients] then we would be classified as a producer.</p> <p>"But within [Company Name] to make such proposal and change takes long time, maybe another 2 years in the project life and then the market would have changed completely. "</p>	B: company decision-making process are too slow
(Field notes, 2016)	<p>During a meeting in 10th October 2016, the grafted manager had explained that the senior managers are used to operating in a stable market environment which leads them to assume that the environment will not change dramatically from today to tomorrow. If there is a negative change the senior managers are assuming that it is for a short while and will change for the better.</p> <p>This was reflected in the Board decision and senior manager's belief that the situation will improve for the company as a reason to postpone the establishment and revalued the situation again.</p> <p>The grafted manager on the other side had not share the belief that the market conditions will change for the better, and therefore believed it was necessary to act with sufficient flexibility to be able to accommodate the volatile market environment</p>	<p>B: senior managers assume things change for the better,</p> <p>B: grafted manager assumed that the volatile conditions may persist and may not become resolved and therefore there is a need to be flexible to accommodate the ongoing changes</p>

9.6.2.2 Senior Managers Beliefs

Source	Senior Managers Group Beliefs	Value Code
SVP Interview (AP I, 2016)	“We had agreed that we are going to establish the foreign trading company in Egypt, even if we can only use it on a very small scale, in order to be ready, once there are better circumstances, once more dollars are available to be exchanged against EGP” [Translated from German].	B: availability of foreign currency will improve B: Wait for situation to improve in medium and long term
SVP Interview (AP I, 2016)	“the main reasons for why [for postponing the hub project] was that we have been informed through our connections to the Egyptian Government that the [foreign direct investment regulations] are supposed to be changed again. [...] And that would be very unfortunate if one is in the establishment process.”[...] At the Moment, there are increasing signs that the current regulation is being reviewed, and the whole [foreign direct investment] topic will be reconsidered again. So we are saying, okay that half a year is not worth it, we rather wait what the new regulations will postulate, maybe the 0.01% will be taken out, then it would be easier for us, since once we have established the company, and I personally doubt that we will find a shareholder for 0.01% but rather for 1% or around that. Then we would have done such thing and 4 weeks later the new regulation is released and then you do not need it [the local shareholder] anymore – and then? Do you understand me? Due to the fact that they are cooking we said let’s wait another half a year. Especially since we are having currency restraints so that we are not able to make sell large quantities, but only small quantities, only up to covering the locals Egyptian salaries, more we would have not been able to do”[Translated from German].	B: not worth incurring the risk for half a year (V: long term thinking) B: wait until uncertainty is removed
SVP Interview (AP I, 2016)	“Yes, yes we were aware of the foreign currency problems. Thus, for instance, is one of the reasons why the warehouse project is hampered. The currency was and is now, an unsolved issue, and there are announcements that the regulatory framework going to be changes again, which for us is another reason why there are delays. What these countries often do not understand, is that western partners need a relative strong safety in order to make investments even for the establishment of such an entity. We do not want to do that for two weeks, but that should be a permanent part of the business, and if we are not able to do that or have the feeling that will break together tomorrow, then we are not bothered to do all the work today. And that is what many do not understand, that we need a certain Consistency and reliability” [Translated from German].	B: countries have to be stable to attract rims investments B: establish new venture for the long term B: not worthwhile incurring the amount of effort if it is not for the long term
SVP Interview (AP I, 2016)	“That is not that easy, but there are options available, how we can operate where other companies are not able to operate anymore, but that is only interesting for high margin products such as methionine, but if we find ways to buy something of	B: out of scope ideas

	<p>the Egyptians and export it to Europe or elsewhere, and only to then conduct the conversation to euro then we should assess that. Until now- this approach is seen as out of scope. Otherwise, we have to deal with products which we do not need ourselves, but to buy products which we are not using or require as an raw material, such as potatoes. But there is no one in [Company name] who would approve such exchange business, that we are selling methionine in Egypt and buying bio potatoes. That is, at the moment not in out of scope, and these things should be considered carefully and thoroughly, since of course no one wants to hoard thousands of tons of potatoes, I know, I know. But in the moment where I have companies such as [Global Customer Name], I have the option do I give my business to [Customer Name]. And I say to the [Customer name] we cannot do it, we are not flexible enough as a company you should do it. But then we are not as close to the customer and we are only supplier, which is easily substitute at [Customer Name]. That flexibility in the thinking of the company, we have mostly on ways streets, in the industry where I had worked before in the [industry name], there were many business processes which were mutual, which means the farmers bought out feed and we would have bought their wheat. That was totally common practice, but this philosophy is not present in [Company Name]" [Translated from German].</p>	<p>B: need to be careful and assess solution ideas thoroughly to avoid risks</p> <p>B: if we are not flexible enough than surrender to distributors</p> <p>B: flexibility not present in firm's philosophy</p>
SVP Interview (AP I, 2016)	<p>"I would be in encourage to investigate such options more intensively in such markets, and this would be a very important function of the regional Unit or the local office to investigate precisely those things, and to start such (foreign currency conversion) processes" [Translated from German].</p>	<p>B: regional offices are responsible for developing foreign currency exchange solutions</p>
VP MEA Interview (HR I, 2016)	<p>"The time is now [...] We tend to be the last one who are doing it, committing to the risk. But if I have local employees, I have an office for 30 years, we are having know-how, we have the [Grafted Manager's Name] as know how we know the region, if not now what should we wait for?" [Translated from German].</p>	<p>B: overdue, we have the know-how</p>
VP MEA Interview (HR I, 2016)	<p>"At the end of the day it is always about reducing the risk –but the risk is always there" [Translated from German].</p>	<p>B: need to reduce risk</p>
VP MEA Interview (HR I, 2016)	<p>"We have experience form other countries that does not have to be Egypt, but we have one in our team [Grafted Manager's Name]. We are more familiar with the language we are able to read in the local language we are a step further. So why should one continue to have a German lead this. We have to take advantage of the local knowledge" [Translated from German].</p>	<p>B: we have enough experiences to address the challenges</p>
VP MEA Interview (HR I, 2016)	<p>"It is like a scale – one ties to assess the risk vis a vis the potential earnings. One knows that earnings will come but there are the risk on the other side meaning that the earnings may not be realised right away but one seeks to justify the risks based on long term prospect to realise these earnings" [Translated from German].</p>	<p>B: potential long-term earnings justify short term risk</p>

		B: Believes in long term decision-making
VP MEA Interview (HR I, 2016)	"But we have to see how much risk are we willing and able to incur and what are we learning" [Translated from German].	B: need to minimise the financial risk
VP MEA Interview (HR I, 2016)	"If I want to sell 1 million tons there someday, I need to get the planning security and I can't wait six weeks until it arrives. So, this is the next step forward – otherwise we have to give to a third party and I think they will have the same issues as we do. I want to learn that – we are ready to learn – we do not know everything by far" [Translated from German].	B: ready and able to learn how to address the challenge
VP MEA Interview (HR I, 2016)	"We want to enter ourselves. [...] We are confident that we can do it on our own [...] So this [warehouse] is next step forward – alternatively we have to give to someone external and they will have the same problems as we will have. I would like to learn - we are ready to learn - we do not know everything by far" [Translated from German].	B: firms is able to learn how to deal with the risks
Head of Strategy Interview (MC, 2016)	"I would say in principal it is the case that we as a German, especially in regard to expansions and growth considerations are saying we are rather more cautious and evaluating. It is often the case that we are only allowing to build new production facilities if we are in principal 90% sure that we are able to sell the capacity. That is great if that is the case, but the disadvantage is that our decision-processes can take very long" [Translated from German].	B: longer decision-making processes can lead to better results
Managing Director for Finance Interview (MG I, 2016)	"I'm d'accord with it [German company culture] as I think that our companies, there are many firms which are around for a long time. The [Company Name] and [Company Name] is around for 150, 160 years and still is among the leading chemical companies worldwide, so we are able to address the challenges in the markets. And this even with a certain compliance standard, I'd call it legal safety and yet to grow, produce good products and maybe we do not make decisions within two weeks but take four, five or six weeks, but one can say that in hindsight the long time period taken helped us to secure the survival of the company and the successful survival of the company" [Translated from German].	B: German company culture is good B: Firm is able to address market challenges B: longer decision-making process lead to better decisions
Managing Director for Finance Interview (MG I, 2016)	"So I'm d'accor with the decision [to postpone the project] since it does not help us to commit to a financial adventure in order to improve our position in Egypt without knowing whether we will be able to repatriate our money." [Translated from German].	B: too much risk involved
Managing Director for Finance Interview (MG I, 2016)	"We could be able to develop the market even faster, but the away it was presented the hub seemed not critical to secure the implementation of our overall strategy and earnings, so I thought okay that is fine to postpone it" [Translated from German].	B: not critical based on long term perspective
Documents Email (SVP, 22.08.2016)	On 22 nd August the SVP informed the project team members that "with the new regulations form Egypt ahead of us, [VP MEA Name] and myself do suggest to just go for the formal approval by the [Segment Name] and wait with the actual	B: conditions will improve

	establishment of the new legal entity until we have more clarify about the upcoming regulations” [Translated from German].	
Documents E-mail (SVP, 22.08.2016; Field notes, 2016)	On 12 th September 2016, the Board took a decision to approve the project but at the same time to freeze the hub project and postpone the implementation based on the regulatory uncertainty and open question of how to repatriate the profits back home without risking losing large amounts of the revenue in the conversion process.	B: market conditions will improve, and thus better to freeze
(Field notes, 2016)	VP MEA said that he believed the situation will get better again at the end of the observation period. [Translated from German]	B: situation will improve for the better

9.6.3 Managerial Values

9.6.3.1 Grafted Manager's Values

Source	Grafted Manager's Values	Value Code
Grafted Manager Interview (AH II, 2016)	"You need flexibility, high flexibility to be able to change, not to be rigid in a certain way of doing business but to be flexible and flexibility will bring you to innovate and new ideas, especially with the ongoing challenges in that region. [...] the challenges in the MNEA region I have never seen [...] if we compare to Europe never seen such challenges [...]. I mean like civil wars financial limitations of foreign currency. "	V: high importance attached to think and act in a flexible manner
Grafted Manager Interview (AH II, 2016)	"I'm also kind of a guy who is getting bored easily when I know things are not going to work. I don't like to go with a certain subject topic for five years, ja, keep pushing it and at the end I know it's not working. I like to maybe think of something else better, ja? "	V: low value placed on persistence if it is not working out
Grafted Manager Interview (AH I, 2016)	"And so if you want to have access to foreign currency to have small production in Egypt besides being distribution. Like for example if we do repackaging of our products, or we maybe make a mix of [ingredients] and we invent a new product having a mix of [ingredients] then we would be classified as a producer [...] But within [Company Name] to make such proposal and change takes long time, maybe another 2 years in the project life and then the market would have changed completely. "	V: courage to invest
Grafted Manager Interview (AH I, 2016)	"No you can actively do a lot of things, but we are in a very risk averse company and we also have to take this into consideration. [...] I think we can do a lot, but the problem is courage and flexibility we go back to the reasons of success, ja?" [...] we are a risk averse company and very rigid, because all the manager who have been there never they always wanted to work the easy way, which was the available way." [...] no one wants to say okay go ahead and then we are stuck with some problems."	V: high value placed on need to be flexible and have the courage to incur risks
Grafted Manager Interview (AH I, 2016)	"Yeah we had a lot of ideas, but it was all closed down. So, one of the ideas was if we try to hedge the dollar against the Egyptian pound, but the Egyptian pound is not a global currency that banks accept. So we could not make the hedging. The other thing is, we looked for Egyptian banks in Germany who can help us to take Egyptian money form the customer in Egypt and give us the money here in Germany. We found one bank called 'The bank' in Frankfurt, it is an Egyptian bank, but they said we work under German laws because we are in Germany so we cannot help you.[...]We tried to really to think out of the box, but" because of this rigid framework of the company with compliance and so forth it was not possible."	V: flexibility

Grafted Manager Interview (AH II, 2016)	"I think it comes from history, I used to eh, I used to before this company I used to work for also with my father and used to make and I learned that's sometimes you need to make fast decisions"	V: high value placed on needing to make fast decision amidst rapid changes
Grafted Manager Interview (AH II, 2016)	"But ehm one of the qualities I have in managing, as a manger is flexibility, high flexibility, so I can change my strategy overnight. I can see how this can create for competitors and for even internal employees a lot of problems. Because no one can expect if someone puts you in a certain frame, or he thinks he understands you then you completely change yourself then you surprise them. And this surprise is not easy to react to right away. I think if anyone working in market, he has to have this flexibility, otherwise he will lose long term. If your competitor understands very well your moves and where you are going and how you are going to react - you are dead. For them you are just an open book."	V: high flexibility

9.6.3.2 Senior Managers Values

Source	Senior Managers Group Values	Value Code
VP MEA Interview (HR I, 2016)	"It is like a scale – to weigh up the risk against the earnings. One knows that the earnings are going to come, but there are these risks and therefore they might not come right away but we are trying to justify it based on the earnings in the long term" [Translated from German].	V: long term earnings
VP MEA Interview (HR I, 2016)	"But our global accounts are already doing it. At some point, they will take over the local sales and we need to learn now and see how much risk we are ready to commit to. I don't know if we have done it in countries where the currency cannot be hedged. Others are doing it in Nigeria where it is even worse. But we are a bit late. There are solutions, maybe to hedge it via gold or something – I don't know. But the real question is am I risking 100 000, 500 000 or 5 million. That is the real question" [Translated from German].	V: low risk
VP MEA Interview (HR I, 2016)	"Nowadays, we have to increasingly deal with increasing risks, the question is how can we mitigate these and that is only possible through knowledge. And that knowledge we can only acquire once we are in. That does not mean that we are going to switch everything that is not going to work in the long run. I do not think so, I am too cautious for that. But we have to acquire the knowledge how to do (convert local currencies) in a higher risk atmosphere" [Translated from German].	V: cautiousness
VP MEA Interview (HR I, 2016)	"due to the associated risk, the company will not switch [million value in Euro] into products to be sold, but we will do it step by step." [Translated from German].	V: caution, step by step approach
VP MEA Interview (HR I, 2016)	"where I see the problem, which I also see in South Africa, the currency we can secure and hedge, that is not a big issue, but how much risk is the company willing to enter. How can we secure our exposure? There is an internal guideline in the	V: protect and avoid risks

	company stating that the mother has to protect the subsidiary of any damages and risks" [Translated from German].	
VP MEA Interview (HR I, 2016)	"we need to convince the Board, and we need to point out the involved risk, and [SVP Name] clearly said that we do not know if the shareholder will be accepted and the risk with the currency remains. So, we have to decide at some point how much risk do we want to incur, it is best to just take a amount of money into our hands, and one will say go an include it in the price. Following the motto, we are ready to risk half million then go and add it on top of the margin. That only works if the competition allows us to do it" [Translated from German].	V: caution
Head of Strategy Interview (MC I, 2016)	"I would say in principal it is the case that we as a German, especially in regard to expansions and growth considerations are saying we are rather more cautious and evaluating. It is often the case that we are only allowing to build new production facilities if we are in principal 90% sure that we are able to sell the capacity. That is great if that is the case, but the disadvantage is that our decision-processes can take very long" [...] Yes I am. I had not made any negative experiences [in regard to the through decision-making process]. I ah dived in Brazil and Thailand. Based on that background I did not see any issues" [Translated from German].	V: cautiousness
SVP Interview (API, 2016)	"At the Moment, there are increasing signs that the current regulation is being reviewed, and the whole [foreign direct investment] topic will be reconsidered again. So we are saying, okay that half a year is not worth it, we rather wait what the new regulations will postulate, maybe the 0.01% will be taken out, then it would be easier for us, since once we have established the company, and I personally doubt that we will find a shareholder for 0.01% but rather for 1% or around that. Then we would have done such thing and 4 weeks later the new regulation is released and then you do not need it [the local shareholder] anymore – and then? Do you understand me? Due to the fact that they are cooking we said let's wait another half a year. Especially since we are having currency restraints so that we are not able to make sell large quantities, but only small quantities, only up to covering the locals' Egyptian salaries, more we would have not been able to do" [Translated from German].	V: long term decision-making
SVP Interview (AP I, 2016)	"Bluntly that is a no-go for me. Then we are not going to do that, then we are rather going to work with an external distributor. I will not surrender 50% of my margin to an external partner which does nothing in the business [...] these are examples of barriers which are happening frequently, that local companies have to be included in the establishment of new entities with a certain %. In Egypt, it is only 00.1% but who is going to do that?! It is the minimum requirement not the amount set, now we have to find someone who is willing to enter the entity for 0.01% for nothing so to say" [Translated from German].	V: maximise the profits V: not worth the effort if profits are not secured

SVP Interview (AP I, 2016)	<p>“That is not that easy, but there are options available, how we can operate where other companies are not able to operate anymore, but that is only interesting for high margin products such as methionine, but if we find ways to buy something of the Egyptians and export it to Europe or elsewhere, and only to then conduct the conversation to euro then we should assess that. Until now- this approach is seen as out of scope. Otherwise, we have to deal with products which we do not need ourselves, but to buy products which we are not using or require as a raw material, such as potatoes. But there is no one in [Company name] who would approve such exchange business, that we are selling methionine in Egypt and buying bio potatoes. That is, at the moment not in out of scope, and these things should be considered carefully and thoroughly, since of course no one wants to hoard thousands of tons of potatoes, I know, I know. But in the moment where I have companies such as [Global Customer Name], I have the option do I give my business to [Customer Name]. And I say to the [Customer name] we cannot do it, we are not flexible enough as a company you should do it. But then we are not as close to the customer and we are only supplier, which is easily substitute at [Customer Name]” [Translated from German].</p>	<p>V: avoid risk and be prudent</p> <p>V: not be substitutable</p>
(Field notes, 2016)	<p>On the last day in Cairo in July 2016, the VP MEA mentioned on the common return trip to Germany that the risk is very high and thus he was not in rush to push ahead. He explained that the situation had been equally bad before, but it stabilised again so that the import was running well again. It seemed as he wanted to approach the project cautiously and believed that the lack of the hub would not be detrimental based on his past experience.</p>	<p>V: high importance to minimise the risk</p>
(Field notes, 2016)	<p>During a lunch conversation the VP MEA referred to the lack of foreign currency as a risk to the expansion project, which had raised further questions of how to hedge and secure the currency risk.</p>	<p>V: lack of foreign currency increases the risk, need to be even more cautious</p>
Documents E-mail (SVP, 03.08.2016)	<p>We are fully aware of the risks, and do not intend to do any business in EGP, if there are not options to convert the currency. Nevertheless, we want to proceed with the establishment of the legal entity to create the possibility to sell locally. Which concrete conditions we are going to impose on such sales is to be determined [Translated from German].</p>	<p>V: maximise earnings in hot market</p>